

Austria	Schill	Indonesia	Rs3100	Portugal	Esc100
Bahrain	Dinar	Israel	NIS3.50	S. Arabia	Rls6.00
Belgium	Euro	Japan	Yen100	Spain	Esc1.12
Croatia	CSY1.00	Jordan	Flm.500	Sri Lanka	Ros30
Cyprus	CSY1.00	Kuwait	Flm.500	Sweden	SEK8.00
Denmark	Dkr9.00	Liberia	Lsl.25	Switzerland	FrF2.20
Egypt	ESL2.25	Lebanon	Lsl.25	Turkey	TLm.25
Finland	Markka	Malta	Ltm.25	U.S.A.	\$1.00
France	FF17.50	Mauritius	Rs1.25		
Germany	DM2.50	Mexico	Pes.100		
Greece	Dr1.00	Morocco	Dir.500		
Hong Kong	Hk\$3.12	Netherlands	Flm.100		
India	Rs15	Norway	Nkr.00		

FINANCIAL TIMES

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Monday September 14 1987

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World News

Vietnam releases prisoners in amnesty

Vietnam announced it had freed more than 6,000 prisoners, including two ministers, 1,000 generals and 350 military officers who had served the former South Vietnamese Government.

A total of 6,065 prisoners have been freed, and a further 5,300 will have their sentences reduced to mark the 42nd anniversary of the August revolution and Vietnam's National Day.

Vietnam had previously announced amnesties but the latest is by far the largest.

Pope in Texas

Pope John Paul, whose last stop on his tour of the US has taken him to San Antonio in Texas, will be serenaded with Mexican music and shown the historic Alamo fort.

Pozderac resigns

Vice-President Hanjida Pozderac of Yugoslavia has resigned following press allegations of his part in a financial scandal involving the issue of at least \$300m in uncovered bills of exchange. Page 3

Ariane countdown

European Space Agency officials started the countdown for tomorrow's launch of the latest Ariane rocket from its jungle space centre at Kourou in French Guiana.

Aircraft incident

A Soviet fighter aircraft brushed the wing and damaged an engine of a Norwegian patrol aircraft in international air space over the Barents Sea, but nobody was injured, according to the Norwegians.

New Caledonia poll

The French Pacific territory of New Caledonia voted massively - 96.30 per cent in favour - to remain part of France in a referendum boycotted by the main pro-independence group.

Royal legal row

A legal battle by Belgium's royal family to inherit most of the former Prince Regent's estate is expected to come to a head next month with a judgment by the European Court of Human Rights.

French move in Chad

The French air defence force in Chad is moving up towards the north of the country during the ceasefire between Chad and Libya, French Defence Minister Andre-Giraud told a Paris newspaper.

Philippines battle

More than 30 people were reported killed when government troops dislodged communist rebels from the village of San Juan 60 km west of Manila after 10 hours of fighting.

Police join mourners

Armed South African police joined mourners at a King William's Town memorial service for black South African civil rights activist Steve Biko, taking communion, singing hymns and praying.

Dissident campaigns

Leading South Korean dissident, Kim Dae-jung, informally campaigning for the presidency, welcomed the government's repeated pledge to move to democracy without military interference.

Toulon bomb fatality

A man died when he was buried by rubble of a building that collapsed after a bomb blast in the old quarter of Toulon in southern France.

Way wins Open

Britain's Paul Way won the European Open Golf Championship at Walton Heath near London with a final round 67, which gave him a nine-stroke total of 272, two shots ahead of Gordon Brand Jnr and John Bland.

Business Summary

Sony sets sights on CBS disc division

SONY, Japanese electronics concern, is exploring the possibility of buying all or part of CBS Records from CBS, the US television network. Analysts believe the deal would go for \$125bn or upwards. Page 18

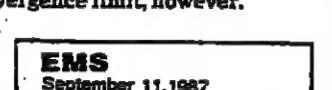
EUROPEAN Monetary System: Fears of renewed D-Mark go-ahead this weekend for negotiations to begin on the final phase of liberalisation of capital movements throughout the EC, after agreeing on a package of measures to strengthen the European Monetary System.

Mr Jacques Delors, president of the European Commission, promised to table detailed plans to scrap all exchange controls on cross-border money movements, including speculative flows, by November.

The ministers gave the go-ahead, after endorsing the agreement by EC central bank governors last week to strengthen their intervention measures to stabilise currencies in the EMS. At the same time they agreed that both the governors and treasury directors meeting in the EC Monetary Committee, should step up their regular monitoring of economic performance in the 12 member states to promote closer policy co-operation.

The key to the governors' deal is providing for more co-ordinated intervention before currencies reach their regular floors and ceilings in the EMS - so-called intra-marginal intervention.

Another consequence of the agreement is likely to be more frequent co-ordinated use of domestic interest rate differentials to maintain currency stability in the system. The exchange rate mechanism keeps



all EC currencies except those of Britain, Greece, Spain and Portugal, floating within narrow bands.

The informal meeting in the Danish seaside village of Nyborg proved remarkably harmonious, in contrast to the acrimonious association with meetings called in the past to realign the EMS currencies, such as that last January. However, there were still differing interpretations of the import of the Ministers' conclusions - particularly

Finance ministers ready to scrap EC exchange controls

BY QUENTIN PEEL AND PHILIP STEPHENS IN NYBORG, DENMARK



Nigel Lawson, Britain's Chancellor of the Exchequer, came under renewed pressure from his European counterparts to bring sterling into the EMS.

Page 18

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between the main protagonists, France and West Germany.

Mr Karl-Otto Poehl, the governor of the West German Bundesbank, agreed that the deal amounted to a "major concession" in opening the way for strong currencies to support weaker ones through intra-marginal intervention. But he insisted that in practice changes would not be great, and was nothing automatic about the agreement, and that "the main precondition is that it does not threaten price stability in Germany."

The reinforcement package was largely inspired by a French memorandum submitted by Mr Edouard Balladur, Finance Minister, in a bid to persuade the Bundesbank to provide more support in intervention. Mr Balladur expressed his own satisfaction with the agreement, although it does not provide for automatic intra-marginal support.

"There is a presumption of automaticity," he said, and Mr Jacques Delors, the governor of the Banque de France, said: "The presumption is not changeable. It is a matter of good faith."

Mr Poehl stressed the conditions attached to such intervention in the future. It would be limited to double the "debtor's quota" fixed for short-term credits in the EMS, meaning about Ecu3.3bn (\$2.8bn) for

Editorial comment, Page 16

Continued on Page 18

Kohl hit by two severe election defeats

By Peter Bruce in Bonn

CHANCELLOR Helmut Kohl, the West German leader, suffered two severe electoral defeats yesterday when his Christian Democratic party (CDU) lost control of the north-east state of Schleswig Holstein and was massively beaten in the city state of Bremen.

In the last two state elections this year, the liberal Free Democrats (FDP), junior partners in Kohl's coalition in Bonn, continued to score important poll victories, according to early projections, and returned from nowhere to take seats again in both Schleswig Holstein and Bremen parlia-

ment.

Although the results yesterday reflect the national mood, the day's polling in Schleswig Holstein was also marked by fierce charges and counter-charges of CDU dirty tricks. A senior CDU official in Kiel told Der Spiegel magazine that the state's CDU leader had tried to get the opposition leaders to accept the investigation.

The CDU will have to rely on a presumption of automaticity, he said, and Mr Jacques Delors, the governor of the Banque de France, said: "The presumption is not changeable. It is a matter of good faith."

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Editorial comment, Page 16

Continued on Page 18

Mr Kohl called the Schleswig Holstein result a "disappointment, an extremely serious defeat" and partly blamed infighting in his government during the last three months for it.

In Bremen, West Germany's poorest state, the SPD did far better than expected and will be able to continue ruling without a coalition partner. The radical Greens party took nearly 11 per cent of the vote in Bremen, but failed to break the 5 per cent barrier in Schleswig Holstein, a result that is likely to lead to severe national infighting between the party's "realist" and "radical" factions.

The catastrophe collapse of the CDU vote in Schleswig Holstein, from 49 per cent in 1983 to about 42 per cent, and its dramatic fall from 33 per cent to around 22 per cent in Bremen seems to spell big trouble for the Chancellor because it will strengthen his right-wing critics and sharpen quarrels between the coalition partners.

Mr Shultz indicated yesterday that he nevertheless believes that the remaining obstacles to an agreement are trivial.

"As you get to the end of any negotiation there are little nits and gnats here and there that have to be got decided and that is what is going on now," he said.

Continued on Page 18

UN's mission for Gulf peace looks doomed

BY TONY WALKER IN BAGHDAD AND OUR MIDDLE EAST STAFF

MR JAVIER Perez de Cuellar, the UN Secretary-General, arrived in Baghdad last night amid gloomy indications that his bid to bring about a cease-fire in the seven-year Gulf conflict between Iran and Iraq would fail.

The broadcast followed a meeting with Mr Khamenei, Mr Ali Akbar Velayati, Iran's Foreign Minister, and Mr Said Rafiq Khorassani, Iran's Ambassador to the UN. The UN Secretary-General also met Mr Mohammad Baqir al-Sabah, the powerful Speaker of the Majlis (parliament).

Mr de Cuellar had what a UN spokesman described as "very detailed and very cordial talks laid down by Iran in the past for a cessation of hostilities. They have been the removal from power of Iraq's President Saddam Hussein and payment of substantial reparations. Nevertheless, few observers in the region believe there is much prospect of success."

Mr Perez de Cuellar was cordially received in Tehran at the weekend but told in no uncertain terms that Iraq would have to be condemned as the aggressor if Iran was to accept the UN Security Council resolution of July 20 calling for a ceasefire.

The only formula that can be accepted by the Iranian nation is one that foresees the punishment of the aggressor. This is the logic of our nation", President Khamenei was reportedly as saying by Tehran Radio. He did not specify the kind of

punishment Iran had in mind but said that the concept of condemning aggressors had been established by the Nuremberg trials of Nazi leaders.

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Officials in Baghdad say that the Iranian demand that Iraq should be branded will be rejected. "We are not in such a position that we have to accept that condition," said a senior Iraqi. "We are not in such a desperate situation that we have to beg for peace."

An Iraqi spokesman said Iran was shelling frontier towns in defiance of a tacit agreement to stop hostilities during the Secretary-General's visit.

Argentina seeks to calm debt worries

BY TIM COONE IN BUENOS AIRES

THE ARGENTINE Government has notified its commercial creditor banks last Wednesday and his announcement that Argentina intended freezing interest rates payable on the nation's \$34bn of foreign debt.

Argentina is due to receive \$750m, the first disbursement of a new \$1.95bn financing package, from the banks within the next 10 days, following agreements signed in New York last month to roll over \$30bn due in principal payments.

There has been concern in Buenos Aires that a number of banks may pull out of the financing package as a result of President Alfonsin's declarations, made in the wake of his party's defeat at the polls on September 6 when the opposition Peronist Party made a major comeback.

The message is clearly intended to calm fears created last week that Argentina is about to take unilateral action on the debt. These concerns mounted following President

Continued on Page 18

IBM Europe boosts sales force in bid to reverse falling sales

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

INTERNATIONAL Business Machines (IBM), the world's largest computer group, has reorganised its European workforce and increased its sales force by almost 20 per cent over the last 18 months in a drive to counteract its flagging sales.

The shift is emphasis at IBM Europe reflects a worldwide effort by the US group to put more emphasis on its sales and marketing after two years of sluggish results. By the end of the year this will mean that the company will have added about 4,000 salesmen to its European field marketing force, which numbered 20,000 at the beginning of 1986.

The realignment of IBM's staff comes as evidence of an increasing of a significant slippage in its European market share. According to Datametrics, a leading computer trade magazine, the company's share of Western European sales fell

to 35.3 per cent in 1986 against 39 per cent in the previous year, as measured against the dollar revenues of the 25 leading data processing groups. Sales have been particularly under pressure in some of its central markets, such as West Germany and France.

IBM refuses to comment on these figures but confirms that the company is going through a wide-ranging realignment to cope with changes in the market. Apart from the effort to strengthen the sales force, it says that it is also reorganising the way it sells to its customers, focusing resources in particular on what it regards as key industry sectors.

This programme has led to the creation of a special unit for the telecommunications industry under its own European vice-president.

Continued on Page 18

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OVERSEAS NEWS

Angola plans to join IMF in bid for more aid

BY PAUL BETTS IN LUANDA

ANGOLA is planning to apply for membership of the International Monetary Fund as part of a big effort to restructure its war-torn economy and win western support for additional aid and a rescheduling of its \$4bn external debt.

Senior ministers confirmed the government's intention to join the IMF.

They also said they expected to hold a third round of negotiations with the US over the possible withdrawal of the 37,000 Cuban troops stationed in Angola.

Both the application to the IMF and the negotiations with the US government reflect Angola's acute preoccupation with its dire economic situation, despite its large oil revenues. The country is seeking \$1.6bn in emergency aid from western donor countries to help ease a near-famine in urban centres.

Western diplomats see the IMF application and the renewed contacts between Luanda and Washington, as well as a series of other goodwill gestures by the Angolan government, as marking what might be an important turning point in Angolan policy towards the west.

Mr Pedro van Duren Loy, Minister of Production, Mining and Oil, with Mr Alfonso van Duren M'Bida, Foreign Minister, both confirmed the government's intention to apply for IMF membership. They also hinted that Angola would probably ask France to sponsor the application. Angola would thus become the last major African country to enter the IMF's fold.

The economic crisis caused by the country's 12-year civil war is now forcing Angola to launch a profound reappraisal of its policies.

"War and development cannot co-exist," said the production and mining minister, adding that the decision to apply for IMF membership followed the government's decision to launch a major economic reform programme, designed to encourage more foreign investment.

N. Caledonia votes to stay part of France

By George Graham in Paris

THE FRENCH government was triumphant yesterday after its South Pacific colony of New Caledonia had voted heavily in favour of remaining part of France.

The strong turnout of voters was a setback for the indigenous pro-independence movement, which had all called on their supporters to boycott the referendum.

Nearly 80 per cent of the total electorate of New Caledonia took part in the referendum—much higher than in recent boycotted elections in the islands—and more than 98 per cent of those voting favoured staying as part of France. This gave the government a clear majority against independence.

Mr Bernard Pons, minister for France's overseas territories, called the results "a great victory" and said the government would now press ahead with its plans to introduce regional autonomy.

The results of the referendum varied widely from region to region. In the south, dominated by the European immigrant "Caldoche" population, the total turnout was 81 per cent. In the central region participation dropped to 45 per cent; in the north it fell to 23 per cent.

In Hienghène, where Mr Jean-Marie Tjibaou, leader of the pro-independence Front de Libération National Kanak Socialiste, is in jail, the turnout was 23 per cent. Several polling booths failed to record a single vote.

In France, meanwhile, debate over the conduct of the referendum—ignited three weeks ago when police were seen climbing peaceful pro-independence demonstrators—was kindled by Mr François Mitterrand, the French President, who asked the defence ministry for an inquiry into whether the army had been used to keep order during the campaign.

William Dullforce reports on efforts to secure settlement of the Afghan conflict

The Kabul puppet that won't dance



Yaqub Khan

THE APPARENTLY sincere desire of Mr Mikhail Gorbachev, the Soviet leader, to extricate the Soviet Army from Afghanistan, is mired on two obstacles, to highlight the breakdown in Geneva last week of the latest talks on a timetable for its withdrawal.

One is the evident recalcitrance of the communist government in Kabul to co-operate in its own demise: the puppet is not dancing to its master's strings.

The second is the impotence of all concerned—the US, the Soviet Union, Pakistan, Iran and the US—to induce the Afghan resistance even to start talking to the Kabul government about the shape of the country's government, as and after the 115,000 Soviet withdraw.

On the assumption that both the US and the Soviet Union would like to overcome these obstacles, Mr George Shultz, US Secretary of State, and Mr Eduard Shevardnadze, Soviet

Foreign Minister, will have to spend at least part of their three-day meeting which starts in Washington tomorrow, on Afghanistan. At the UN-mediated bargaining between the Pakistani and Afghan governments on the timetable was breaking down in Geneva last week. US and Soviet officials spent two days in the city discussing Afghanistan and the Gulf war.

Dr Sabahuddin Yaqub Khan, Pakistan's Foreign Minister, angrily charged the Kabul government with using the UN meeting as a propaganda play to soften criticism in the imminent annual debate on Afghanistan in the UN General Assembly, which is expected to vote heavily for a Soviet withdrawal.

In contrast, Dr Yaqub Khan underscored his belief that Mr Gorbachev genuinely wants an Afghan peace settlement.

Evidence is that Mr Abdul Wakil, Afghan Foreign Minister, acted independently of

that it would table a substantial new proposal for the timing of the Soviet withdrawal.

A Soviet official in Moscow said specific dates for the withdrawal would be set in Geneva. Mr Yuli Vorontsov, Deputy Foreign Minister, was in Rabat five days before the opening of the Geneva talks.

In the event, the Afghans presented no new initiative and the sum total of the four-day encounter was a virtually meaningless narrowing of positions over the timetable. Kabul now wants 18 months for the pull-out; Rawalpindi says it should be completed in eight months.

Even if Kabul—and by implication Moscow—are using Mr Cordovero's mediation to make propaganda, Dr Yaqub Khan virtually scuttled the Diplomats in Geneva rather than read the evidence as showing Kabul's incoordination to Moscow.

Mr Cordovero's peace plan, painstakingly pieced together over the past five years, is

largely complete, apart from the timing of the Soviet withdrawal.

It provides for the return home of the 5m Afghan refugees in Pakistan and Iran, as well as for US and Soviet guarantees of the settlement.

Neither side, however, can be expected to agree on timing or on how Afghanistan is to be run. This is outside the scope of the UN talks.

In some form, the seven-party alliance of the Afghan resistance has to discuss the post-war regime with the Soviet-backed government in Kabul. Resistance leaders have not even been able yet to agree on a common line, while Kabul has offered only a new constitution that would confirm the communist party's dominance.

This is the problem that Mr Shultz and Mr Shevardnadze have to address—always assuming that both Washington and Moscow really want an Afghan settlement.

Ariane space faces test with satellite launch

BY IAN DAVIDSON IN PARIS

WESTERN Europe's space industry faces a major test tomorrow night when Ariane space launches its first satellite since the aborted launch last May and the loss of the Intelsat F14 satellite aboard.

The launch of an Ariane 3 rocket, from Kourou in French Guiana, is designed to place in orbit two communications satellites. These are the ESC4 telecommunication satellite for Eutelsat, created by the postal and telecommunications administrations of 26 western European countries, and Astra K3 for the Australian National Satellite System.

During 1986 Ariane space registered 18 launch contracts valued at FF16bn (2603m) and its total outstanding order book in mid-1987 was for 22 launch contracts valued at FF11.3bn, including 10 satellites for international organisations, 21 for European customers, 7 for American companies and 4 for other non-European customers.

If misgivings generated by the shuttle explosion cast a shadow over Ariane, however, they do not appear to have affected Ariane space's order book. The technical reasons for the failure of last year's launch—an ignition fault in the third stage of the rocket—may have appeared less fundamental than the design problems underlying the Challenger explosion.

Ariane space, a consortium of European but mainly French banks and aerospace companies, is responsible for the overall cost management of Ariane after a handover by the governmental European Space Agency.

In his weekly radio address on Saturday Mr Reagan said the plan "falls short of the safe guards for democracy and our national security" which were in the initial peace proposal that he and Mr Jim Wright, speaker of the House of Representatives proposed last month.

In an interview to be published this week in *US magazine*, Mr Reagan goes further.

Asked if he believed the Central American peace plan was finally dead, he is quoted as saying "Yes, yes."

Mr Reagan's decision to join Mr Wright in issuing a peace plan designed to pressure the Sandinista Government in Nicaragua into moving towards democracy and abandoning what the President sees as its goal of spreading communism through the region has deeply divided the administration.

Administration hardliners have been arguing that since the US proposal was overtaken by the plan developed by the regional governments the White House was in danger of helping to undermine its support for Nicaragua's Contra rebels.

Last week, however, in a move which seemed designed to meet this criticism and put pressure on Congress not to cut off US aid to the Contras, Mr George Shultz, the Secretary of State, told a congressional committee that the Administration would ask Congress for \$27m aid for the Contras for an 18-month period.

Mrs Dole may quit post to back husband

By Our Washington Correspondent

THE US Secretary of Transport, Mrs Elizabeth Hanford Dole, is considering resigning from the Reagan Administration to play a bigger role in the attempt by her husband, Senate minority leader Robert Dole, for the Republican Party's Presidential nomination.

In a newspaper interview published yesterday, Mrs Dole, who has been at the centre of Administration efforts to deal with mounting public criticism of the US airline industry, is quoted as saying that some of her husband's supporters are pressing her to become more active in the campaign.

The results of a poll of 5,700 Republicans attending a campaign event in Iowa gave the Rev Pat Robertson, television evangelist, 34 per cent of the vote, followed by Mr Dole with 25 per cent and Vice-President George Bush 23 per cent.

La Malfa dynasty again takes Republican helm

BY JOHN WYLES IN ROME

Italy's Gulf warships set sail tomorrow

BY JOHN WYLES IN ROME

ITALY'S eight-vessel contribution towards maintaining freedom of navigation in the Gulf before now is due partly to the government's weakness and partly to genuine divisions within the country.

The five-party coalition did not constitutionally require parliamentary endorsement of its decisions, but it lacked the political authority to proceed without it. Votes in both the Senate and the lower house, the Camera, were made matters of confidence, which was not given by the Camera until Saturday night.

The Communists, Radicals, Greens and other left-wing groups maintained their opposition to the end, arguing that Italy was "warmongering" and threatening peace efforts. But a bigger threat to the government came from hostility within a Christian Democratic Party.

Mr Valerio Zanone, the Defence Minister, who has become visibly irritated by the delayed departure of the force which was ready last Wednesday, told Parliament on Saturday that there would be no further post-

ponements.

That the ships have not left before now is due partly to the government's weakness and partly to genuine divisions within the country.

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It previously prospered under the leadership of Giovanni Spadolini, who in 1981 became the first post-war prime minister who was not a Christian Democrat. Mr Spadolini resigned the leadership in July after being elected president of the Senate, from which position he may launch a bid for the Italian presidency.

Giorgio La Malfa is more combative and abrasive than his predecessor. Whereas Mr Spadolini sought a role for his party as moderator in the con-

A member of the La Malfa family was restored to leadership of the Italian Republican Party at the weekend with the unopposed election of 47-year-old Giorgio La Malfa as party secretary.

His father, Ugo, headed the party for 20 years until his death in 1979. He was regarded as a far-sighted politician who played an important role in such turning points as the entry into government of the Socialists in 1968 and the Christian Democrats' opening to the Communists in 1976.

His son inherits a party which suffered a setback in the June elections, when its vote fell from just over 5 per cent to just over 3 per cent.

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VW man 'admits fraud'

VOLKSWAGEN's former chief foreign currency trader has admitted complicity in the fraudulent foreign exchange deals that cost the car company DM473m (\$262m), a justice official said on Sunday, AP reports.

Carl Hermann Retemeyer, a spokesman for the Braunschweig prosecutor's office, said Burkhardt Junger made the confession during interrogation last week and also implicated Joachim Schmidt, a fugitive Frankfurt foreign currency broker.

Junger was taken into investigative custody in April after Volkswagen reported a loss in March. The money was lost through falsified financial instruments, known as forward contracts, by which large international companies protect themselves from fluctuations of foreign currencies.

Since his arrest, Junger had been denying any role in the massive fraud, but suddenly changed his story last week, Retemeyer said.

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OVERSEAS NEWS

Politician resigns over scandal at Agrokomer

By Judy Dempsey in Vienna

MANILA's wise men in coffee shops are on cloud nine trying to outdo each other with claims of inside information on who President Corazon Aquino will replace in her 24-member Cabinet, following their offer to resign last week.

On Saturday Mrs Aquino decided not to end their speculation — yet — despite having said she had, said she would most likely announce some changes at the weekend. Instead, she put off a decision indefinitely, saying that "ever sensitive to the public's concern, I have come to realise that the ideal Cabinet is a Cabinet that can work as a team."

Mrs Aquino's decision on who to fire will signal how effectively she can pull together her Government after the attempted coup on August 23 and the collapse of all semblance of cabinet accord that it triggered.

The infighting has been mainly between Mrs Aquino's closest adviser, Mr Jóker Arroyo, and her Finance Minister, Mr Jaime Ongpin. They represent schools of thought that make strange bedfellows in one government.

Mr Ábolic, who is also a member of the national assembly, was arrested last week with eight other officials. Mr Ábolic said earlier that he had obtained the support of Mr Pozderac and his brother, Hakko Pozderac, a family which has influenced Bosnian politics for decades, in the running of the agrokomer enterprise which employs more than 13,000 people. Later he retracted the statement.

The Yugoslav news agency, Tanjug reported that Ábolic and Pozderac used loopholes in the country's legal, economic and banking systems and that they established their supporters in banks, courts and the prosecutor's office through bribes, even assassinating them with summer houses".

The losses arising from the scandal have already risen from \$300m to more than \$350m and may reach \$4bn.



Jaime Ongpin

business and foreign investment, describing himself as "pro-people," meaning against measures such as tax increases that hit the poor, virulently suspicious of the military after his experiences as a lawyer defending political prisoners held under Marcos's martial law.

Both groups are in the Cabinet because they both served Marcos. In many ways Mr Arroyo prevailed, and Mr Ongpin is his staff now. It must, more importantly, be fuelled by a sometimes obsessive dislike for the personalities in the other camp.

This time Mrs Aquino will not be able to impose harmony in her cabinet as she has done in the past. Mr Paul Aquino, a close confidante and the brother of the president's assassinated husband, says Mrs

Aquino has now realised that she has to back one horse or the other.

Then there is the Philippines' maverick military — which has just spawned its fifth coup against Mrs Aquino. Many officers openly accuse Mr Arroyo of being a communist, which he denies and which seems to be a ludicrous accusation based only on his record as a defender of political prisoners. But his suspicion of the military is not well hidden.

He has twice recently likened the Armed Forces press spokesman to Goebbels, the propaganda chief of Adolf Hitler.

Faced with such a wild card,

who has a very strong rapport with Mrs Aquino, many business and church men appear to have jumped on the bandwagon of anti-Arroyo sentiment in the

temporary 60-day ceasefire that took effect last December.

Supporters of President Aquino, who is struggling to end political turmoil after the army coup attempt last month, sought to re-launch "people power," a mass outpouring of Filipinos into the streets that helped sweep her into office last year.

After the government supporters dispersed, 1,000 people, mostly supporters of ousted ruler Ferdinand Marcos, occupied the same park. They called on Aquino to show leniency to rebel Colonel Gregorio "Gringo" Honasan and other leaders of the August 23 mutiny.

San Juan has been under rebel control for years. Communist forces paraded openly with their guns there when a

military

advice he is giving to Aquino and also think that closer collaboration between the military and civilians is not only the best defence against further coups, but also against the 18-year-old communist insurgency.

One way or another Mrs Aquino has to negotiate her way through this minefield of perceptions and personalities, and define her own direction. Veer too much away from the military/business view — in other words retain Mr Arroyo as a close adviser — and she may incur the wrath of the coup-happy military. Veer too much towards the military/business view and the military may do something of herself — after all her husband, Benigno Aquino, was imprisoned and almost certainly assassinated by soldiers.

Aquino delays over Cabinet posts

By RICHARD GOURLAY IN MANILA

Madeira courts free trade zone business

BY OUR FINANCIAL STAFF

MADEIRA has begun to promote its new free trade zone and its potential role as an offshore financial centre, for which legislation is shortly to be enacted.

The Portuguese island, situated in the Atlantic some 600 miles south-west of Lisbon, is bidding to become the third low tax financial centre within the European Community after Luxembourg and Gibraltar.

Madeira officials opened a publicity campaign in London last Friday. They said four Portuguese banks had already applied for offshore licences, and several foreign banks, including one or two UK institutions, had made enquiries.

The free trade zone comprises 120 hectares in Canical, a small coastal town 30 km (19 miles) from the capital, Funchal. Phase one, including 40 hectares of cleared land, will be available from next month and the concessionaire, the Madeira Development Company, hopes to announce the first contract within a few weeks.

Legislation to cover offshore bank subsidiaries, insurance companies and investment managers is due to be approved during October. Insurance activities will be supervised by the Portuguese Insurance Institute and other financial operations will be regulated by the Bank of Portugal. Offshore financial businesses can be sited anywhere on the island.

According to Mr Francisco da Costa, chairman of the development company, Madeira has several favourable characteristics, including social and political stability, an attractive climate and a good location in relation to Mediterranean markets.

Offshore companies, whether manufacturing or financial, are offered a 25-year holiday from all corporate taxes, and the top personal tax rate is 20 per cent. There are no restrictions on foreigners moving to the island, and housing is said to be readily available.

**Global telecom market 'to double'**By Terry Dodsworth,
Industrial Editor

GLOBAL expenditure on telecommunications equipment will more than double to \$24.8bn in the eight years to 1995, with the developing world playing a much increased role in spending.

This is one of the main forecasts of a study by the UK-based Telecommunications Industry Research Centre (TIRC), which says that the trend towards expansion in the developing world will place increasing pressure on manufacturers in traditionally-strong markets.

The report indicates that the slow-down in established markets is already beginning, with the rate of growth declining in the US after a rapid rise in expenditure in the late 1970s and early 1980s.

Although the US will still be by far the largest single market this year, with investment of \$24.3bn against \$24.1bn in 1986, Russia overtook Japan as the second largest telecommunications spender in 1985, and has grown steadily since then.

Current spending in Russia is running at a rate of \$9.6bn and is expected to rise to \$13.4bn in 1990, with much of this demand being met by imported equipment. The value of Russian imports from the West, says TIRC, should rise from \$37m in 1984 to \$350m in 1990.

The review also concludes that sales of switching equipment, currently the flagship products of the industry, will peak as a proportion of the total in 1990, and then decline in relative importance. Spending will increase proportionately on transmission products and mobile communications.

Scott Paper to build new French plant

SCOTT PAPER, the leading US toilet paper and kitchen towel manufacturer, is to invest FF 1bn in a new plant at Orleans, its first in France, writes George Graham from Paris.

French officials said the first phase of the Orleans project would enter service in 1989, and would be supplied with raw material from Belgium. Scott planned a further three stages of investment, each of around FF 1bn, they said.

Reliance corners the market with Cricket for Peace

JOHN ELLIOTT IN BOMBAY

INDIA's fastest-growing and most controversial company, Reliance Industries, is pulling off an international sports sponsorship coup next month, as well as helping to stage an unlikely exercise in cricketing diplomacy.

A cricketing World Cup, previously played in Britain as the Prudential Cup, is to be played in India and Pakistan, fully sponsored by Reliance which will launch a share issue to coincide with the event.

The series between eight cricketing nations, each team receiving \$200,000 plus expenses, could lead to easing of tensions between India and Pakistan. President Zia

sponsorship. It is expecting to recoup immediately almost all the Rs 45m (£2.3m) it is paying out as sponsor and is also launching an Rs 1.98bn rights issue.

"The Prudential, we understand, was a passive sponsor, but our approach has been to develop the commercial aspect of the game," said Mr Anil Ambani, whose father, Mr Dhirubhai Ambani, is the 54-year-old founder and chairman of Reliance.

"We are doing all the marketing and handling all the financing and advertising. We hope to break even or, at worst, just make a loss. But there is the added value of the Reliance name reaching

300m to 400m people in India alone by being seen on television screens and mentioned in newspapers and on radio for the month. We are starting the rights issue just before the first match on October 8 and closing it on November 10."

So, while India's incurable cricket fanatics watch Imran Khan of Pakistan and Kapil Dev of India battling it out, subconsciously they will be absorbing the name Reliance, which will be displayed widely in strategic positions around the pitches. Profits are also expected to improve after a slump last year.

As the businessman willing to provide the cash to the Inter-

national Cricket Conference, based at Lord's cricket ground in London, to allow the four-yearly cup series to go ahead, Mr Ambani in return uses the Reliance name for the event, the company's Vimal textiles as the official fabric, and has the rights to sell the franchising and advertising.

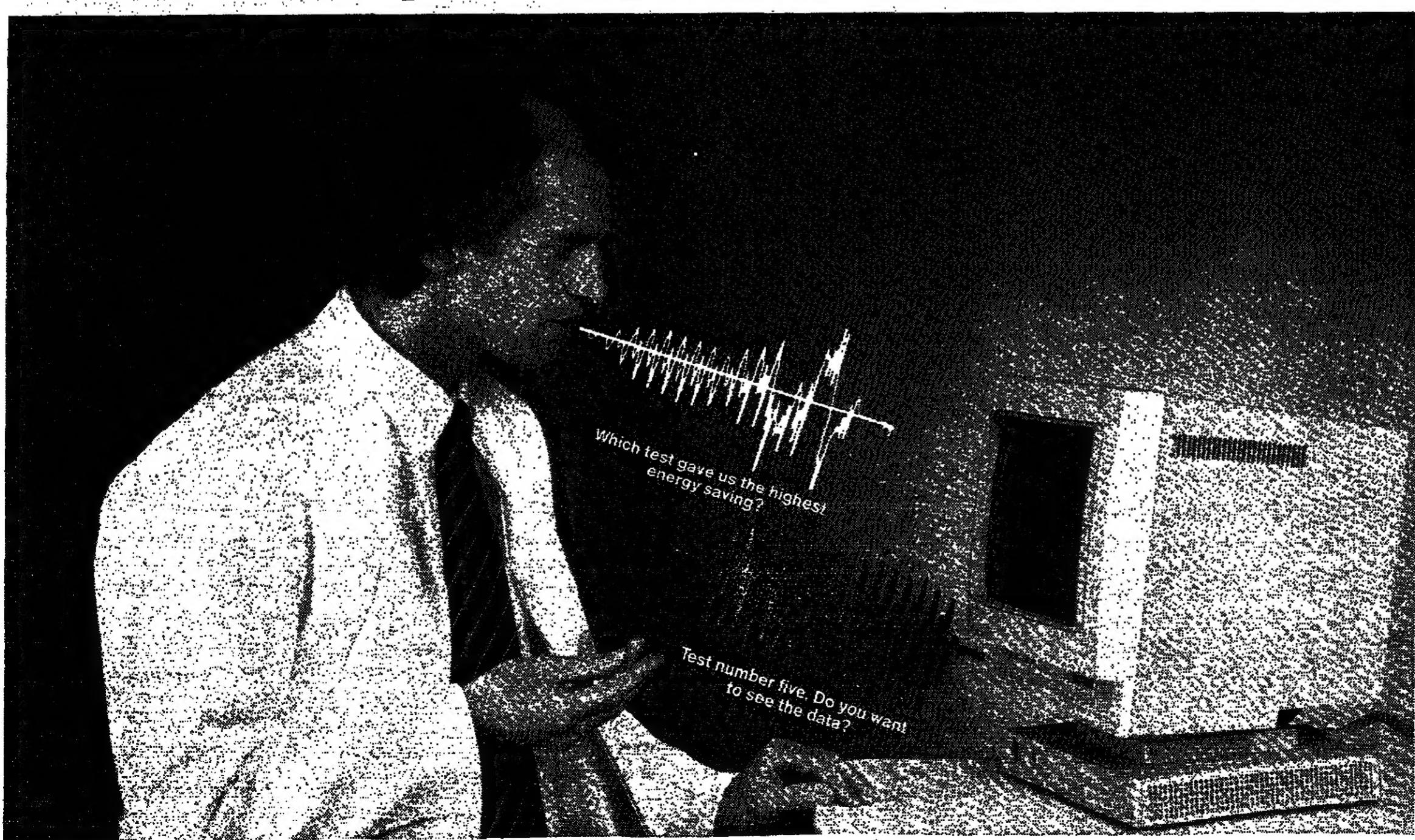
The event's successful joint organisation by the two frequently wily but cricket-loving neighbours, countries that have condemned septicies. Ten thousand Pakistanis and Indians are expected to cross into each other's countries to watch the 27 matches in 14 Indian and seven Pakistani cities.

Innovative technology from AEG. Here's more:

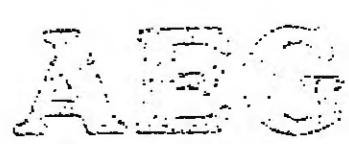
285 AEG uses the "Chip on Glass" technique for LCD type displays. Advantages: the display and driver electronic system are combined into a single unit, so the number of contact points is reduced to a minimum. This leaves the display back clear, allowing optimal rear illumination. Result: high brilliance at any time of day.

AEG supplies efficient electronic systems for environmental protection purposes: contaminants contained in both air and water can be automatically identified and analyzed, and there can be exact control of processes in waste incineration, exhaust gas purification or water treatment. In the event of operating trouble these "intelligent" microcomputers automatically contact the central system via the phone.

AEG's grouped networking is contributing to the economic use of the radio bands. Radio channels are bundled and managed by a computer, then allocated to subscribers as required. Communication bottlenecks are a thing of the past. This technology offers a number of characteristics not found in the usual radio networks. Grouped networking from AEG — already in successful operation in Schiphol airport Amsterdam and under construction in Frankfurt.

This computer needs no keyboard for communication. It understands plain English.

AEG is developing an automatic speech recognition system by which computers of future generations will correctly read and answer to spoken instructions. This dialogue with computers is becoming more human.



OVERSEAS NEWS

Roh seeks fillip from US visit

BY MAGGIE FORD IN SEOUL

MR ROH TAE WOO, leader of the South Korean ruling party, is to meet President Ronald Reagan in Washington today, prompting US State Department officials to pledge that Seoul's opposition leaders will also be welcome to pay visits to the US capital.

Mr Roh's trip, which is expected to include talks with Mr George Shultz, US Secretary of State, coincides with the appearance of various top US officials in Seoul, at a time when rumours of instability here have gathered pace.

Mr Gaston Sigur, US Under-Secretary of State for East Asia, who has come out recently in strong support of South Koreans' democratic aspirations, arrived in Seoul yesterday. Mr Richard Armitage, a US Assistant Defence Secretary, had remarked previously in a news conference that the US

would withdraw from the country its 40,000 troops, deployed to counteract the threat from communist North Korea, whenever the Korean people no longer wanted them.

Mr Armitage's comment follows swelling rumours over the past month that a September crisis here, caused by labour unrest and possible further student demonstrations, might cause military intervention.

Mr Roh, a former general who helped President Chun Doo Hwan take power in the 1979 military coup, said on the eve of his departure yesterday that the rumours appeared to have been exaggerated maliciously and that the military wanted to see the proposals he made in June for democratic change carried through on the basis of social stability.

South Korean newspapers

gave prominent coverage yesterday to the US official's comment on American troops in the light of the two previous occasions when troop withdrawals were discussed or accomplished. The first immediately preceded the Korean war in 1950 and the second, discussed during the Carter administration, preceded the assassination in 1979 of President Park Chung Hee. The coup followed a few months later.

Analysts remained puzzled yesterday over the purpose of Mr Roh's trip to Washington, which is thought likely to create cynicism in a country preparing for an election in December. Feeling against US influence in democratic politics remains strong.

Some believe that the visit will be mainly devoted to fundraising for the election coffers, although Mr Roh will not be visiting Los Angeles, home of the largest overseas Korean community, and to burnishing his image in Congress, and in the US Government.

In a speech on Saturday, Mr Roh urged businesses again to accept workers' fair demands and said he would convey to the US Government the strong resistance against excessive pressure to open markets.

Labour disputes have subsided in South Korea over the past week, mainly because settlements have occurred in most industries. In two major companies, however, Hyundai Heavy Industries and Daewoo Motor, negotiations have been frustrated because union leaders were arrested and jailed 10 days ago. Further trouble may follow in both companies unless legitimate leaders are released.

WORLD SHIPPING REPORT

Oil tanker rates eroded

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

WORLD TANKER owners were hit by sluggish demand last week as the market for new oil continued to be depressed by relatively buoyant stocks and reluctance to charter in the worn-out area of the Middle East.

Rate levels for very large and ultra-large crude carriers operating out of the Gulf came under particular pressure, with a steady build-up in tonnage seeking employment. Smaller vessels in the 100,000-ton class did not suffer quite so heavily, however, partly because they were under demand for voyages to the Far East.

According to E. A. Gibson Shipbrokers, the erosion of Galbraith's,

Hawke warns Washington on rising protectionism

BY CHRIS SHERWELL IN SYDNEY

MR BOB HAWKE, Australia's Prime Minister, yesterday issued his most explicit warning yet that rising US trade protectionism threatens the friendly relationship between the two allies.

The warning, made in a television interview ahead of today's new session of parliament, has been prompted by worries about the future of Australia's markets for major export commodities such as wheat, coal, beef, and sugar.

The Hawke government is becoming increasingly concerned that these are being hurt by US farm export subsidies and by US efforts to redress its trade imbalance with Japan and other East Asian countries.

There is no suggestion from Canberra that the long-standing defence relationship between the two is at risk. The importance of that, especially after last year's rupture in the Anzus alliance, remains self-evident.

But Australia plays host to key US military bases and it is clear that the continuing sensitivity of these as a domestic political issue could be intensified by trade tensions.

In his TV interview Mr Hawke insisted that the relationship between Australia and the US remained fundamentally important. But, he added

bluntly, "there is not an infinite elasticity in that relationship."

He was highly critical of the failure of the US to solve its twin problems of an internal budget deficit and an external trade deficit. He is clearly also worried about reports that Japan is being encouraged to buy commodities from the US.

"If they (the US) believe that they can say to the Japanese, 'Look, don't buy our coal or your beef on the most commercial terms' — which means Australia's lower Australia's share and buy relatively uncommonly from us, if they believe they can continue to do that, in a way that doesn't put pressure on our relationship, then they do have to think again," Mr Hawke declared.

The US, said Mr Hawke, had to make fundamental and tough internal economic decisions if it was going to deal with its deficit problems.

"That's not easy. But I'm not talking from some theoretical position. When I talk critically of the refusal of American administrations to do their own job, I'm doing so from a position of strength, because we've done it."

Mr Hawke is expected to meet senior members of the Reagan administration next month on his way to Vancouver for the Commonwealth heads of government meeting.

World trade expected to grow 4.1% next year

By Ralph Atiles

THE VOLUME of world trade will rise sharply next year, accompanying stronger growth rates in major industrial economies, according to a forecast published yesterday.

The ruling and the opposition are treating the polls as a referendum on the performance of the administration of Mr Ray Robinson, Prime Minister, which was elected nine months ago in the first change of government for 30 years in the Commonwealth.

Mr Robinson and his National Alliance for Reconstruction, which took 32 of the 86 parliamentary seats last December, in the general election, seem to be at the end of their honeymoon. Mr Patrick Manning, leader of the opposition People's National Movement, has told his supporters to use their votes today to send a "signal" to Mr Robinson.

The prime minister is suffering from the problems which led to the widespread rejection of the previous government. The people want to see the introduction of the economic changes which he promised them after the soft market for oil had sent the once-overheated economy into a tailspin. Eighty per cent of the Trinidadians depend on oil. Mr Robinson argues that his administration has prepared the ground to tackle the country's economic problems.

The forecast dismisses the fears of some independent economists that world-wide inflation resulting from an upswing in raw material prices might hamper economic growth. It says oil prices are currently being propped up by tension in the Gulf states and should fall next year. Other world commodity prices, including copper and aluminium, are expected to fall in the next year.

In the US and UK, the report argues, monetary authorities will take corrective action if the domestic economy shows signs of overheating. "We continue to expect an upturn in inflation, not at upside," the report said.

The US trade deficit, which official figures, published on Friday, showed rising to a record high in July, is not expected to benefit much from a lower dollar.

World Trade Forecast, published as a supplement to *EU Business Update*, Annual subscription £118 in UK and Europe, \$198 in US and £232 rest of world. *The Economist Publications*, 40 Duke Street, London W1A 1DW.

Canute James assesses Trinidad's municipal elections

Impatience with the newcomers now the honeymoon is over

WHEN Trinidadians vote in local government elections today, few ballots are likely to be determined by strictly municipal concerns.

The ruling and the opposition are treating the polls as a referendum on the performance of the administration of Mr Ray Robinson, Prime Minister, which was elected nine months ago in the first change of government for 30 years in the Commonwealth.

Mr Robinson and his National

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The increases in oil prices over the past eight months have promised some relief, bringing increased earnings from production of about 160,000 barrels per day but the oil price increases caused by developments such as the conflict in the Gulf are unlikely to be sufficient in themselves to bring the economy back to health.

So Mr Robinson is looking elsewhere. In addition to plans to divest the State sector of some loss-making enterprises, the expansion of the petrochemical sector using local natural gas, the government has drafted rules and initiatives for foreign investors. It has liberalised the allocation of foreign currency for imports and the rules governing foreign ownership of property.

"We are aiming particularly for ventures based on our energy sector, which offer the best opportunities for development," explained Mr Ken Gordon, Industry and Commerce Minister. The government is also interested in foreign investment in the hotel industry, fishing, ceramics, glass and wood industries, chemicals, steel, textiles and computer-related operations. However, several sectors—including the news media, commercial banking, advertising, the distributive trades, petroleum marketing, business producing for domestic consumption and insurance—are closed to foreign involvement.

Mr Robinson's administration is also looking seriously at tourism—important to most of its Caribbean neighbours but neglected by Trinidad in the days of high oil prices.

These plans, however, are unlikely to be in the front of voters' minds today. There is a thirst for instant and positive change.

Men and Matters'

To celebrate the 50th anniversary of Men and Matters we are offering readers a free booklet containing selected cartoons and humorous aphorisms that have appeared in these columns during the past year.

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FINANCIAL TIMES

EUROPE BUSINESS NEWSPAPER

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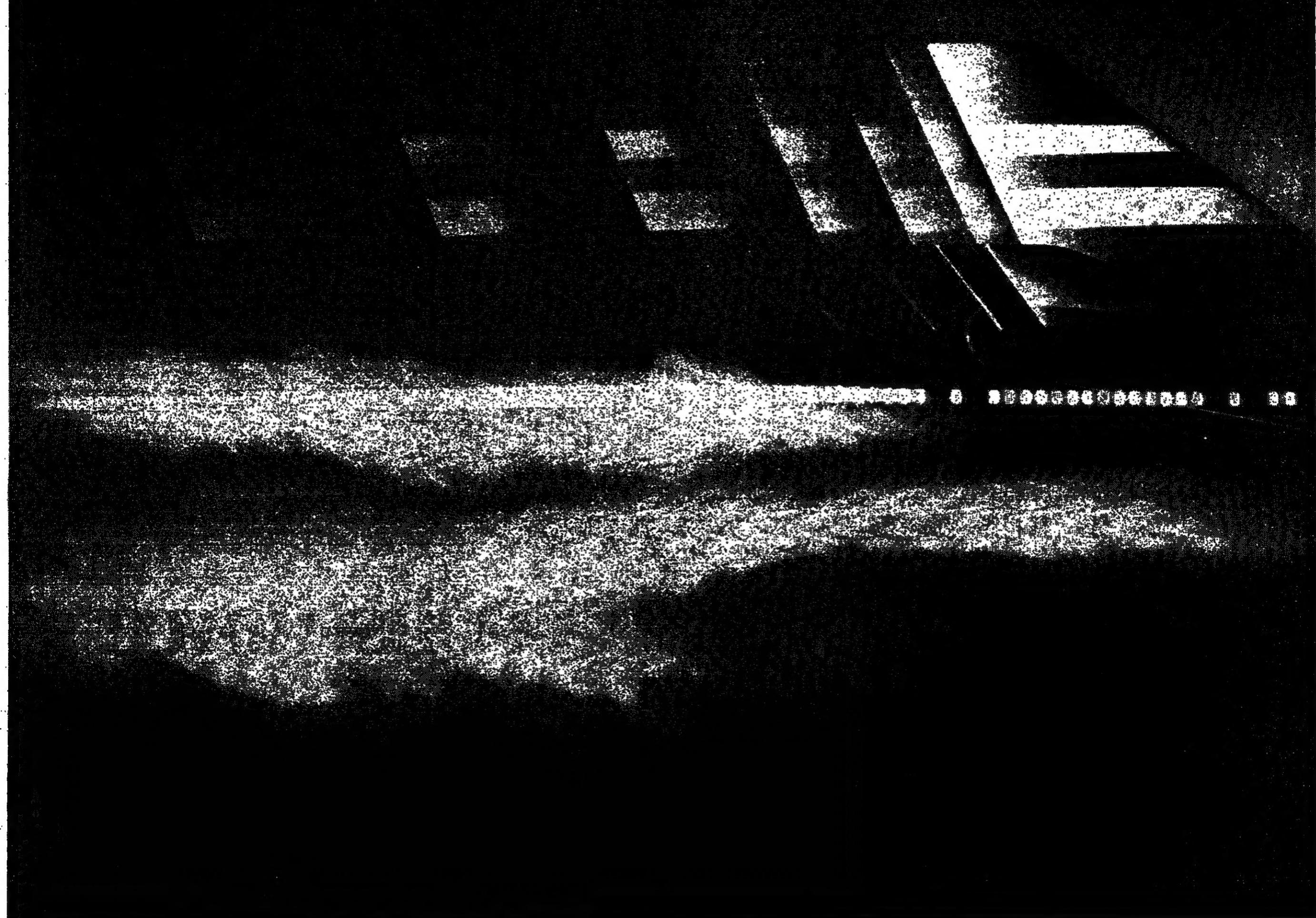
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14th September 1987

Liberal leaders emphasise unity in merger talks

BY PETER RIDDELL AND TOM LYNCH

THE LIBERAL party leadership yesterday moved to maximise party unity over merger talks with the Social Democratic Party on the eve of this afternoon's formal opening of its annual assembly in Harrogate, northern England.

In a BBC radio interview, Mr David Steel, the Liberal leader, predicted "overwhelming" support for such talks, while at a Harrogate press conference Mr Andy Ellis, the Liberal secretary-general, cautiously said he would be surprised if as many as 20 per cent were opposed to merger at any price.

There are, however, likely to be intense debates throughout the week about the constitution of any new merged party. The party's rank-and-file are expected, for instance, to express concern about any loss of the decentralist and federalist character of the Liberals.

The Liberal national executive yesterday agreed to include five representatives elected by the assembly later this week in the eight-strong negotiating team. It also unanimously decided on the need to recognise the autonomous character of the Scottish and Welsh parties. This could, however, entail a messy structure, with three sets of overlapping talks and ballots on the merger in Scotland and Wales, whether or not the English party holds a ballot next month.

Speaking from Canada, where he is attending a meeting of the Liberal International, Mr Steel described the new party as the "logical outcome" of the development of the Alliance. However, he said it would be a mistake to lose the name Liberal altogether from either the main title or the sub-title of the new party.

British Coal warns miners over dispute

BY OUR LABOUR STAFF

SIR Robert Haslam, chairman of British Coal, has written to miners on the eve of key talks planned for today with union leaders, warning that industrial action planned for September 21 could have a "catastrophic" effect on the industry.

In a letter to the National Union of Mineworkers (NUM), Sir Robert says the coal industry's record since the end of the 1984-85 miners' strike had been impressive, with a 21 per cent rise in productivity in 1986 and a further 16 per cent increase so far this year.

"Industrial action by the NUM would... greatly add to the losses of high cost pits and put many collieries and jobs at further risk," Sir Robert says.

He makes clear his belief that British Coal's response to the NUM's complaints about plans for a revised disciplinary code have been "full, fair, and reasonable."

But in South Kirkby, Yorkshire, one of the most militant union areas, Mr Arthur Scargill, NUM president, said yesterday that a national ban would start on September 18 unless the CAA agrees to pay increases of over 30 per cent.

He described the proposed code as a charter for removing the leadership of the NUM and warned that there would be no compromise.

"If you want a leadership to stand and fight then we will do just that. But loyalty works two ways and I ask from every mineworker just one thing - that on this occasion when we stand and fight, we stand united, we stand solid," Mr Scargill said.

Today's talks will centre on the NUM's insistence that disciplinary procedures should include some form of binding arbitration as the final court of appeal.

Mr Scargill claimed the talks would hinge on his insistence on appointing independent "pit umpires" or an alternative form of arbitration for appeals against dismissals.

• The Civil Aviation Authority and union leaders representing 1,300 air traffic control engineers are due to meet today over a dispute that had threatened flight delays this weekend. The engineers have threatened a possible national strike on September 18 unless the CAA agrees to pay increases of over 30 per cent.

Authorities attack plan for water sell-off

BY RICHARD EVANS

AT LEAST three of the 10 water authorities in England and Wales are considering withdrawing all support for privatisation of the industry unless the Government modifies its controversial flotation formula.

Such a move would be a heavy blow for Mr Nicholas Ridley, the Environment Secretary, who is already under severe political pressure as he seeks to reform the rating system.

The Government's proposal to give off regulatory and water management powers to a state-controlled quango (quasi-autonomous government body), the National Rivers Authority, is being fiercely opposed because it would destroy the current widely praised system under which the authorities control all operations within a river basin.

The three authorities - Anglian, Southern and Yorkshire - believe it essential that this overall operational control should be retained after privatisation.

One of the authorities' chairmen said of the privatisation proposals: "It would not take a lot to say enough is enough, let's abandon it... the price is too high."

Other chairmen, including Mr Dennis Grove of North West Water, and Mr Roy Watts of Thames, the largest and most profitable of the 10, are equally opposed to the Government's plan, but are convinced that the necessary modifications will be made.

"The cornerstone of our argument is structural. The Government is proposing the wrong solution for the water industry. The loss of the integrated river basin system is quite unnecessary," said Mr Watts.

All 10 chairmen meet on Wednesday at the Water Authorities Association in London to consider their joint reaction to the Government's proposals, which were outlined in a Green Paper discussion document in July. It is likely that nine will be highly critical of the NRA plan, with Mr John Bellak, chairman of Severn Trent, taking a position more favourable to the Government.

The intense arguments within the industry will surface on Friday at an Economist conference in London on water privatisation. Mr Watts and Mr Gordon Jones, chairman of the WAA and of Yorkshire, will then warn the Government of the dangers it faces if no compromise is reached.

These are among the main conclusions which can be drawn from a study of the attitudes of European employees towards their employers which is published this weekend by ISR (International Survey Research), the European arm of the Chicago-based International Survey Research Corporation, a leading attitude research company.

ISR's client base covers 11,500 employees in 650 companies worldwide. Its latest information has been aggregated from recent client surveys in the UK, France, West Germany, Italy, the Netherlands, Switzerland and Belgium.

Bright, aspiring civil servants 'suffer low morale and pay'

BY RALPH ATKINS

THE LOT of some young high-flying civil servants is not a very happy one, according to a guide published today. Graduates entering the service and expected to master the machinations of the great Whitchurch machine, report low level morale, bad pay and inadequate training.

The survey of 200 fast-stream entrants is the first of its kind carried out by the Association of First Division Civil Servants. The results are presented in an "alternative" guide designed to counter the obfuscation of official recruitment literature.

It finds that one-fifth of graduate recruits - usually in their early 20s - are dissatisfied with their jobs after only one or two years. One in seven frequently considers leaving.

Serving the country, the guide warns prospective mandarins, is not lucrative. There is little scope for flashy cars and foreign holidays.

"If you aspire to home ownership and the Civil Service, a frugal lifestyle, wealthy parents or a trust fund would appear to be necessary," it says.

The guide provides a conducted tour of the labyrinth of corridors and offices - carpeted, sixties according to rank - which young civil servants can expect to tread, and it offers advice on the various tasks encountered.

Letters from the public should be answered with a reply which - with

out being dishonest - demonstrates the minister's fairness, wisdom and conscientiousness. You should find at least one nugget of good news for the minister to pass on, or take refuge in the logical rigour of the relevant policy.

Aspiring mandarins often find themselves the butt of parliamentary questions. You must not only find the answer," cautions the guide, "but also present it in a manner which does not indicate abject failure by the Government to cope with some pressing problem."

The collection, analysis and presentation of material for superiors - or "devilling" - is another frequent chore. The guide's advice is simple: "when a problem appears, the first response is often what did we do last time?"

In its review of jobs at the many departments of state, the guide finds numerous gripes and groans, but there are also some pluses.

The Private Office - the inner sanctum of ministers - for instance, offers long hours in the Houses of Parliament and close working with a minister "whose personality you may not find congenial." The perks, however, include good lunches and dinners and official trips abroad.

"But you have to draft the thank-you letters, pay the bills and look after the travel arrangements," the guide adds. "You'll also find yourself carrying the innumerable

plaques and scrolls commemorating official openings, as well as the briefing papers, speech and press releases - it can help to be a weight lifter."

At the Employment Department, once headed by Mr Norman Tebbit, bicycles are apparently in favour. Mr Tebbit has been credited with a controversial remark that to find work the jobless should "get on their bikes".

The problem in the Environment Department is schizophrenia. Green belts are apparently well protected while private development is encouraged. Investment in inner cities is promoted but local authority spending is cut.

However, Environment does have one unparalleled advantage. Its office is the only place in the West End of London where panoramic views of London are not obscured by the hideous towers of the department's Marsham Street offices.

No matter how strong the complaints or how awful the working conditions may be, traditional British optimism still shines through in the guide's verdict on the Civil Service.

"The lower one's opinion of it, the more urgent, larger and more interesting the targets for reform should be. Which well-padded profession or City sinecure can offer a comparable challenge?"

Survey finds British employees happy with working conditions

BY JIMMY BURNS, LABOUR STAFF

BRITISH workers compare favourably with their European counterparts in terms of their working conditions, and in being the most likely to recommend their company to others, according to a new survey.

This is despite the fact that British companies are still widely perceived as being poor communicators, reluctant trainers and ungenerous.

These are among the main conclusions which can be drawn from a study of the attitudes of European employees towards their employers which is published this weekend by ISR (International Survey Research), the European arm of the Chicago-based International Survey Research Corporation, a leading attitude research company.

British employees were found to be sufficiently impressed by their working environment to recommend their company to others (82 per cent) were favourable).

Dutch employees were also found to be the happiest with their levels of pay. According to the survey, they are "the least likely to feel underpaid for the work they do" (82 per cent), and "most likely to think that they are paid fairly compared with other people working for their company."

In the UK, 50 per cent of employees thought they were well paid, a

higher percentage than for France and Italy, on a par with Belgium, but worse than Switzerland, West Germany, and the Netherlands.

Dutch and West German employees consistently responded most favourably to issues relating to job training and information. The Italians were the most negative about training.

With regard to training and communication the study appears to indicate that little has changed since a previous survey in 1984 when British industry was found to have a poor reputation compared with many of its major international competitors.

The survey found that while the West Germans have the easiest access to higher management, it is the British who rely most on the grapevine for their information.

Employee Attitudes towards their Employers - a European Perspective, 11-12 Buckingham Gate, London SW1E 6LB.

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If you acquired your Shares subsequent to the original offer you MUST make a declaration as to whether or not the Shares will be "foreign-held" by deleting one of the nationality declarations in Form Y on Page 4 of the Letter of Allocation.



If you have any queries, please contact the Receiving Bank specified in your Letter of Allocation as follows:

National Westminster Bank PLC, New Issues Department, PO Box 79, 2 Princes Street, London EC2P 2BD.

Barclays Bank PLC, New Issues Department, PO Box 123, Fleetway House, 25 Farringdon Street, London EC4A 4HD.

Midland Bank plc, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA.

The Royal Bank of Scotland plc, PO Box 27, 34 Fettes Row, Edinburgh EH3 6UT.

If you have lost your Letter of Allocation, please telephone 01 260 0376 for advice.

If you have recently acquired Rolls-Royce Shares and have not received your Letter of Allocation, contact your financial adviser immediately.

HIGHLIGHTS OF PRELIMINARY ANNOUNCEMENT

OF CONSOLIDATED RESULTS FOR THE YEAR ENDED 30TH JUNE 1987

	1987 M\$ Million	1986 M\$ Million
PROFIT BEFORE TAXATION	181.8	152.6
EARNINGS	84.5	59.1
EXTRAORDINARY PROFITS	82.0	92.7
GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF SIME DARBY BERHAD	106.5	151.8
M. Sen	M. Sen	
EARNINGS PER SHARE	9.1	6.4
DIVIDENDS PER SHARE - NET	6.6	4.8

UK NEWS

PEPs 'failing to encourage new shareholders'

BY RICHARD WATERS

PERSONAL equity plans are failing in their objective to create more shareholders, according to a paper published by the Bow Group.

Tax incentives for PEPs, part of the Government's campaign to encourage more people to buy shares, were introduced in January.

The incentives—capital gains tax relief on PEP profits and income tax relief on dividends paid to schemes—make the plans attractive only to the well off, says the paper, A Nation owned by the Nation.

Only personal gains of more than £6,500 are taxable. "It is very unlikely that the small shareholders will realise gains of anything approaching this figure," says the paper by Mr Alastair Marsella, a marketing executive with Fidelity International and a member of the Bow Group's economic affairs committee.

Public interest in share ownership 'on the rise'

BY ERIC SHORT

GROWING PUBLIC interest in direct share ownership and a fundamental change in attitudes towards the stock market is confirmed by a survey on savings attitudes published today.

The survey, by Jane Lewis Associates, a market research consultancy, is based on eight discussion groups conducted in July. It found that ordinary savers no longer regarded the stock market as being mysterious and encouraged by privatisation issues, were more interested in handling their own savings.

It also found that young investors gave little consideration to the possibility of share prices falling dramatically.

The survey revealed a growing wariness towards long-term savings plans such as life assurance and unit trusts. Most savings plans held by the people surveyed had been bought under the influence of advisers or salesmen and many thought they had been over-sold.

In particular, the survey found that people were ex-

Catering for the Next generation of yuppies

By Alice Rawsthorn

NEXT, the principal purveyors of fashion, flowers and furnishings to the young, urban professionals who make up the yuppie class, now threatens to unleash a new breed of consumer, the "yuppies" or junior urban professionals, by opening its first children's shop.

From Wednesday the yuppies will be able to kit themselves out in what Next calls its "hardwearing casual clothes with a fashion dimension" at its new chain of 16 Next BG—alias Next Boys and Girls—shops which will open throughout the UK.

As befits a business servicing a young and thriving clientele, Next BG harbours ambitions plans for expansion. By the end of this year there will be 40 shops. Most will be independent within grown-up Next shops, but six will be autonomous. They will sell clothes for puppies between the ages of two and 12 years old.

The chain will enter a more prominent part in international policy-making, however, goes deeper than that. It reflects a number of factors: governments in general have moved towards more active management of the world

Philip Stephens looks at Nigel Lawson's growing role in world policy-making

Taking a place on the international stage

MR NIGEL LAWSON's decision to attend next week's meeting of Commonwealth finance ministers in Barbados surprised even Whitehall insiders.

In the past Mr Lawson has hardly disguised his aversion with the endless circuit of international meetings faced by finance ministers. Some of his foreign counterparts have been less reluctant to express their irritation at what has often been seen as a rather arrogant isolationism.

The days when the Chancellor

economy, Britain, for the time being at least, is performing relatively well and the Chancellor seems to have decided that his economic philosophy deserves a wider audience.

As the international circuit has become more interesting there have also been signs that the Chancellor finds it personally more agreeable. There is still little indication of the unrestrained enthusiasm displayed by Sir Geoffrey Howe, now Foreign Secretary, but the suggestion that Mr Lawson might follow the same career route is no longer ruled out in Whitehall.

"I enjoy them (international meetings) when we can achieve something, certainly. I do not enjoy them so much when we cannot," is how the Chancellor puts it.

He plays down the suggestion of a radical shift in his approach over the last year or so. It is circumstances more than his view of the world that have changed, he says.

When the major industrial countries had high and divergent rates of inflation there was relatively little that could be done in terms of a more co-operative strategy. The economic isolationism of the US which characterised his first two years in office was also an insurmountable obstacle.

Once those two things last winter, is seen as crucial in winning confidence in British industry and translating the present upturn in output into a renewed investment drive.

Once those two things last winter, is seen as crucial in winning confidence in British industry and translating the present upturn in output into a renewed investment drive.

The Chancellor insists that he has paid great attention to exchange rates all along, but

concedes: "I think there is a move towards a more managed form of floating. There is a wish to have a much greater degree of stability."

This shift from the free market approach to exchange rates which characterised the Conservative Government's first term has also persuaded the Chancellor of the virtues of the European Monetary System.

At this weekend's meeting of European Community finance ministers in Denmark, he was typically opaque about whether Britain was any closer to full membership. However, several other participants said he appears ready to join if Mrs Thatcher gives the go-ahead.

Britain's recent strong growth performance relative to most other industrial nations clearly makes it easier for Mr Lawson to take a more active role internationally.

The domestic problems of high unemployment, inflationary pressures and sluggish investment have not gone away. But as one Whitehall insider puts it: "People tend to listen if you are doing fairly well." The Chancellor believes that other countries can learn something from Britain's experience.

The US, for example, needs to appreciate that "we do need to be prepared to take tough decisions to get your budget deficit down," he says. West Germany could learn the benefits of supply-side policies in promoting faster growth.

Mr Lawson, however, has not confirmed his interests to co-operation among industrial countries.

At the Commonwealth con-

ference next week he will be pressing for support for his sub-Saharan Africa debt plan. The initiative, first unveiled in April, aims to provide debt relief for the poorest African countries.

The inclusion of a proposal for interest rate subsidies on existing official loans surprised even some Treasury officials and has drawn considerable opposition from countries such as West Germany.

Mr Lawson, however, is determined to keep pushing. "I think that the insuperable logic

He has not limited his interests to co-operation among industrial countries

of the analysis . . . will eventually lead to its being agreed."

So has the Chancellor changed his often-stated view that his present job is the only one he has ever wanted in government? The political logic suggests that the Foreign Secretary's job will be free in two or three years time. By that time Mr Lawson will be the longest-serving Chancellor this century.

His answer to the question, however, is even more opaque than his comments on the EMS. "For the time being I am doing the job that I have been doing for some time now," is as far as he will go.

BAE chairman outlines strategy

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PROFESSOR Roland Smith, who took over as chairman of British Aerospace on September 1 in succession to Sir Austin Pearce, does not see the need for revolution in the company.

He says in the latest issue of British Aerospace News: "I am more interested in the development of the BAE business over the next 10 years and that's what I intend to do."

"My skills are essentially managerial, financial and, most importantly of all, in the marketing and business development area. So in that sense, perhaps, the style (of management) will be different."

"But BAE is doing well and has done well. It's not a case

of requiring enormous changes,

but obviously in the next five to 10 years there will be different pressures exerted upon this business than was the case in the previous 10 years."

He says: "This experience enables me to help define the strategy and growth pattern for the BAE business over the next 10 years and that's what I intend to do."

"My skills are essentially managerial, financial and, most importantly of all, in the marketing and business development area. So in that sense, perhaps, the style (of management) will be different."

Professor Smith said that after

ensuring that the group maintained an effective presence in defence, the next priority was to bring the Civil Aircraft Division into profit.

Rolls-Royce to supply Tay engines to Quebecair

BY OUR AEROSPACE CORRESPONDENT

ROLLS-ROYCE has won an order for its Tay turbofan jet engines in four Fokker 100 twin-engined airliners for Quebecair, the Canadian regional airline.

Quebecair will acquire the aircraft under lease from International Lease Finance Corporation of California, which also has an agreement for four Fokker 100s with East-West Airlines of Australia.

Other customers for Fokker 100s with Tay engines include Swissair, KLM of the Netherlands, US Air and GPA Fokker 100, a company set up with Fokker, the Dutch aerospace

group, to market the airliner. Total orders for the Tay engine, in Fokker 100s and US Gulfstream IV airliners, exceed 570, which with spares will generate business for Rolls-Royce.

• Manx Airlines, a member of the Airlines of Britain group which includes British Midland, Loganair, and Eurocity Express, is acquiring a British Aerospace Type 146 four-engine regional jet airliner on a five-year lease, for its Heathrow-Isle of Man route.

This will be the group's first 146, but it has expressed interest in using the aircraft at London's Stansted airport.

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UK NEWS

Tories may act to avert rates reform dispute

By PETER RIDDELL, POLITICAL EDITOR

CONSERVATIVE leaders are considering moves to head off any row over rates reform at the party conference in Blackpool in three weeks' time by holding the key debate on the first day before opposition can build up.

The conference agenda is being finalised before being published in a week's time and ministers have been told to prepare speeches focusing on new policy initiatives, especially in housing and education. The aim is to contrast a Government busily at work with the divisions and inquests of the opposition parties.

But there is concern about possible division on issues such as rates reform and law and order and possibly on consumer standards in privatised companies such as BT, about which local party activists feel strongly.

The suggestion has apparently been made that the rates reform debate should be held on the first day of the conference, a Tuesday, to prevent the issue becoming a running sore during the week.

In face of the doubts of several Tory backbenchers and councillors, environment ministers will go on the offensive to justify the replacement of domestic rates by the universal community charge. This ties in with the current nationwide tour by local government ministers Mr Michael Howard and Mr Christopher Chope.

Mr Douglas Hurd, Home Secretary, is also expected to come under pressure on law

and order, a perennial cause of controversy at Conservative conferences, following the Hungerford massacre and the recent row over violence on television.

The Prime Minister is due to hold a seminar in Downing Street in a week's time on the future of broadcasting policy and Mr Hurd has sought to take the initiative in his weekly speech and interview.

During a BBC Radio 4 interview yesterday Mr Hurd confirmed that the Government was considering establishing a body outside the scope of the broadcasting authorities to hear complaints from viewers that "violence or sex have been portrayed in a particularly offensive or dangerous way on television."

He repeated the Government's determination to bring broadcasting within the scope of the Obscene Publications Act which covers books and magazines.

Mr Hurd noted that the law placed a clear responsibility on the BBC governors and the Independent Broadcasting Authority board. He was in touch with them about the guidelines they have.

While accepting that most children made a clear distinction between what they saw on television and what happened in life, he said there were "some people—perhaps a small number—who do not make that distinction who are influenced in what they think and what they do by what they see on the box, on video or television programmes. Because I believe that happens we have to take the subject seriously."

Electric motor output 'well behind France'

By NICK GARNETT

FIGURES for the production and consumption of electric motors in the UK—one of the barometers of industrial activity—are well below those for France, and have been overtaken by those for Italy, according to a report by Frost and Sullivan, the US market research company.

West Germany remains the dominant force in Europe as both producer and consumer. Its output of motors of more than 1hp is four times that of the UK and its consumption more than three times higher.

Electric motors are components in a wide range of machinery exported by most European countries. However, they are also a measure of indigenous production activity because they are used in many productive industries, including paper and printing, steel making, heavy engineering, textiles and chemicals. They are also used extensively by public utilities.

The UK electric motor industry "has been constrained by the generally poor performance of the national economy," says Frost and Sullivan.

Electric motors account for 60 per cent of all electricity consumed in Europe for industrial activities, according to the report.

The report, based on 1985 figures, the most recent available, excludes "tied-markets"—those machines and motors which make their own motors. The relative size of markets is also partly governed by exchange rate calculations.

Brown Boveri of Switzerland, which is merging with Asea of

Sweden, is Europe's largest producer of electric motors above 1hp, followed by Leroy-Somer of France and Siemens in West Germany. The biggest UK makers are GEC and Hawker Siddeley.

West German consumption at \$605m (£420m) represents 40 per cent of consumption among the seven countries studied and its production represents 47 per cent of output.

French production is much larger than in the UK, partly because of the influence of Leroy-Somer which has a sizeable export business, including to the West German pump industry. Pumps and compressors are the biggest single application area for motors and will account for a third of the European market by 1990, the report says.

French consumption in 1985 was \$265m against \$243m in Italy and \$186m in the UK. Spain consumed \$85m worth of electric motors.

Domestic demand for electric motors in the UK is forecast to be static over the next few years, though there will be some improvement in sales related to power generation and the installation of anti-pollution equipment.

Exchange rates used in the report, measuring local currencies against the US dollar, were: West Germany (2.45); France (7.52); Italy (1.975); UK (0.69); Spain (1.83); the Netherlands (2.76); Belgium (5.05).

Integral Horsepower Motors in Europe, Frost and Sullivan, 51 Saffron Hill, London NW1 2DH, £2,575.

Cash outflow hits National Savings

By Richard Waters

NATIONAL SAVINGS, the state-controlled savings bank, suffered a net outflow of cash in August—the first since April 1986.

Repayments to investors totalled £470.5m against new investment of £409.3m.

This reflects the pressure on National Savings from intense competition among banks, building societies and others for individual savings.

Fixed-interest and indexed-linked savings certificates accounted for the biggest drain on cash. Just £24.5m worth of new certificates were sold, compared with £210m of principal and interest repaid.

Income bonds, on the other hand, brought in a net £95.5m, while the investment accounts contributed £56.6m.

Nissan in Tees Dock deal

NISSAN UK, the privately-owned Japanese car importer, has reached agreement with Tees and Hartlepool Port Authority for the 60,000 cars a year it imports through Tees Dock to undergo their pre-delivery inspection and preparation there, rather than at

Long-term prospects for City 'threatened'

By Tom Lynch

THE Government's pricing policy on privatisation issues was damaging the City's long-term prospects, Mr Malcolm Bruce, the Liberal trade and industry spokesman, said in Harrogate yesterday.

He told delegates in an eve-of-assemblies meeting that the share price was being pitched low to tempt small investors, with a safe quick profit. It is quite clear that the Government is encouraging short-term investments in the City and this is a threat to the City's long-term future."

Mr Bruce, MP for Gordon, joined other delegates in criticising the financial institutions for putting too much emphasis on short-term considerations at the expense of long-term investment.

His criticism of government was echoed by several speakers, including Ms Rosemary Hoggan (Putney), a foreign exchange dealer, who argued that the privatisations had been handled in such a way as to encourage speculation rather than investment. "The Tory Government is producing a whole band of amateur speculators."

The debate reflected widespread unease about the City's performance and most speakers agreed that the Government had a role to play in directing investment towards long-term and new ventures. But there were differences over whether a new lending institution was needed and criticism of Labour's plans for a "centralist national investment bank."

There was also a strong feeling in favour of encouraging individual shareholders to take a long-term interest in companies.

Mr Peter McGregor, a former industrial director of the National Economic Development Office, told delegates: "We have built an irresponsible batch of shareholders for whom it is much too easy to get out."

Mr Ian Morrison (Croydon South) said there was "a lot of greed and a lot of self-interest" in the City and many operators were "held back to nobody but themselves". He criticised the Government's record on investor protection claiming that legislation such as the Banking Act and the Financial Services Act were "crisis-generated" resulting from scandals like the JMB affair.

He urged the Government to back long-term loans in the same way as the Export Credit Guarantee Department stood behind foreign trade. But Mr McGregor and others pointed out that such a move would increase the public sector borrowing requirement.

Mr Beaman said there was "confusion between money-making and wealth creation."

French consumption in 1985 was \$265m against \$243m in Italy and \$186m in the UK. Spain consumed \$85m worth of electric motors.

Domestic demand for electric motors in the UK is forecast to be static over the next few years, though there will be some improvement in sales related to power generation and the installation of anti-pollution equipment.

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Integral Horsepower Motors in Europe, Frost and Sullivan, 51 Saffron Hill, London NW1 2DH, £2,575.

Scots to debate devolution issue

By James Buxton

THE Conservative Party in Scotland is to favour increased discussion of the issue of creating a Scottish assembly, although a large majority of senior party members are opposed to devolution.

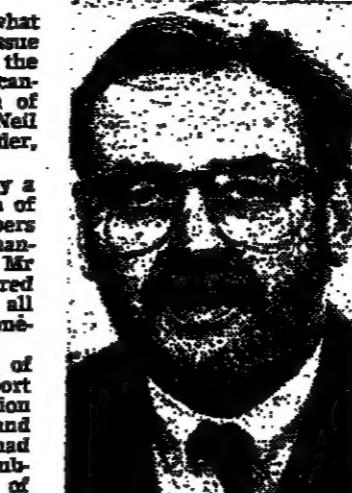
This was decided at a meeting in Perth yesterday of the executive of the Scottish Conservative and Unionist Association.

Mr Malcolm Rixford, Scottish Secretary, said after the meeting that devolution needed to be discussed and debated although only about six of the 100 people at the meeting had favoured it. Many wanted a debate to highlight the case against an assembly.

The company does not anticipate any financing problems as a result of the deal. During the

Peter Riddell on the fundamental review of policy going on in three political parties

Caught in the constitutional cross-currents



Tom Sawyer: proposals for change

AN UNUSUAL spectacle is on view in British politics—three parties talking about the fundamentals of their constitutional structures and policies.

The parties—Labour, Liberal and Social Democratic—are acting in response to their relative failure at the June general election. The successful party—the Conservatives—has not had to indulge in such soul-searching and can carry on running the country.

Mr Bruce's rethinking takes two forms. First, there is the review of policy which will be initiated today at a meeting of the party's home policy committee with proposals from the chairman, Mr Tom Sawyer, deputy general secretary of the National Union of Public Employees and a leading member of the loyalist left on Labour's national executive.

He is urging a "revaluation and review" of policy, starting with a series of meetings to discover why the party did not convey its message to the country or express the electorate's current concerns.

In parallel, shadow Cabinet members have started re-examining policy with their teams of spokesmen. They are looking, for instance, at the implications of privatisation and the making of share ownership a key principle.

In both cases the aim is to avoid any firm commitments at the party conference in Brighton starting in less than a fortnight to allow time for a measured debate.

Secondly, there is what threatens to be the messy issue of a wider franchise for the selection of parliamentary candidates and the selection of MPs, on which Mr Neil Kinnock, the Labour leader, was defeated in 1984.

At present selection is by a small group, often made up of fewer than 50 party members on constituency general management committees. Mr Kinnock originally favoured the principle of selection by all members, one-vote basis.

To win over the support of key unions like the Transport and General Workers' Union and the General, Municipal and Boilermakers' Union, which had defeated the 1984 plan, he subsequently backed the idea of constituency electoral colleges.

In these colleges the votes of individual members would be balanced by the votes of unions, as in the party conferences and in the election of the party chair.

Mr Kinnock's shadow Cabinet colleagues are determined above all to avoid a position in Brighton where the Labour leader is seen to be defeated for the second time on this issue.

Yet unless he gives a lead there could be a stalemate, where the principle is approved, but no detailed scheme can win the necessary support, as happened in 1980.

Mr Kinnock and the main union leaders will discuss the

question over the next fortnight. The issue is to be discussed by the national executive on Wednesday. The possibilities are that the precise option will be left to the conference to decide with no preferred plan and another is that this year's conference will vote on the issue of principle, with a specific plan being decided later.

Apart from the question of the special role of the unions, there are parallels between the Labour debate and that in the Liberal and Social Democratic parties over their future relations in this autumn's merger talks.

They both turn in part on the role of activists as against party members as a whole. The Liberals have traditionally been a party which extols activist democracy and is fed by the enthusiasm and commitment of local members to build up a local council base, and then parliamentary representation.

Yet this can lead to confusion over policy-making with contradictory positions being taken.

Most of the Liberal party's leadership favours a combination of one member, one vote for key elections, like that of party president, or approval of sweeping constitutional changes, and a representative body to decide policy as the SDP has with its 450-strong Council for Social Democracy.

There are cross-currents within the Liberal Party on this question with a former MP, Mr

Richard Wainwright, echoing the view of the Labour hard-line in questioning whether the vote of a "mere financial subscriber" should be given as that of an active local supporter.

Among other constitutional issues preoccupying the Liberal Assembly in Harrogate, which starts formally today, will be the position of affiliated groups like women, the young and councillors, as well as the separate status of Scotland and Wales.

Decentralisation and federalism will be key themes. There may also be some sensitivity over the leader's veto over policy.

None of these issues looks like creating an insuperable obstacle in the negotiations with the SDP over the coming months. Yet these constitutional points say a lot about the ethos of the parties—still wedded to the unions in the case of Labour, dominated by activists with the Liberals and centralist with the SDP.

An insight into the Liberal cross-currents is revealed in the latest issue of Liberal News by Tony Greaves, an archetypal anti-London and anti-leadership activist. He starts his column by saying that he intends to go on being a Liberal, and standing under that label in next May's local elections. But then he warns against splits and divisions, and advocates giving the merger talks a go.

ITV chiefs to probe fifth channel idea

By Raymond Snoddy

INDEPENDENT television companies are considering supporting the creation of a fifth national channel.

Mr David McCall, Independent Television Companies Association chairman, said yesterday that the ITCA council "has decided we will pursue it. This is the strategy we are looking at to see if it stands up."

"The idea recognises that the status quo is not an option and points in the direction of the Conservative manifesto commitment to improve consumer choice and improve quality."

ITV managing directors hope they might persuade the Government to launch a fifth channel instead of opting for advertising

or competitive selling of its airtime.

Channel 4 is a subsidiary of the Independent Broadcasting Authority, funded by subscription from ITV companies which in turn sell its airtime.

The possibility of a fifth channel is to be discussed at a broadcasting seminar to be held by Mrs Thatcher at 10 Downing Street next Monday.

Independent Broadcasting Authority engineers believe that enough UHF frequencies would be available to offer a fifth channel to between 60 and 70 per cent of the country by 1988.

Mr Richard Dunn, managing director of Thames Television, the largest ITV company, supported the idea. "This is a genuine, responsible policy proposal for those who have thought hard about the next six years and the range of technical possibilities."

He believes the new channel, which could give advertisers an alternative outlet, could be used to launch local television of a news channel which could include the televising of parliament.

The Government has shown little interest in setting up a fifth channel, but the idea could be included in discussions on the contents of a comprehensive broadcasting bill, expected next autumn.

Makers call for action on cutlery origin markings

By NICK GARNETT

CUTLERY manufacturers have accused the Government of dragging its feet over the issue of country of origin markings on knives, forks and general silverware.

Sections of the 1972 Trade Descriptions Act relating to cutlery are being revoked following an EC decision that their wording is unacceptable. The Government has been considering proposals to replace these sections.

Mr John Price, chairman of Arthur Price of England, one of Britain's largest cutlery companies, accused the minister of not doing his homework on the issue.

"Craft skills are dying out, jobs are disappearing and companies are going out of business," he said.

The Government has shown

little interest in setting up a fifth channel, but the idea could be included in discussions on the contents of a comprehensive broadcasting bill, expected next autumn.

Private company seeks to buy Land Registry

By Terry Dodsworth

LANDMARK Title and Trust, a insurance of property ownership deeds in the UK, has approached the Lord Chancellor's office about buying the Government's Land Registry agency.

The Land Registry deals mainly with inquiries about land title when property changes hands and Landmark claims computerisations could lead to more efficient conveyances.

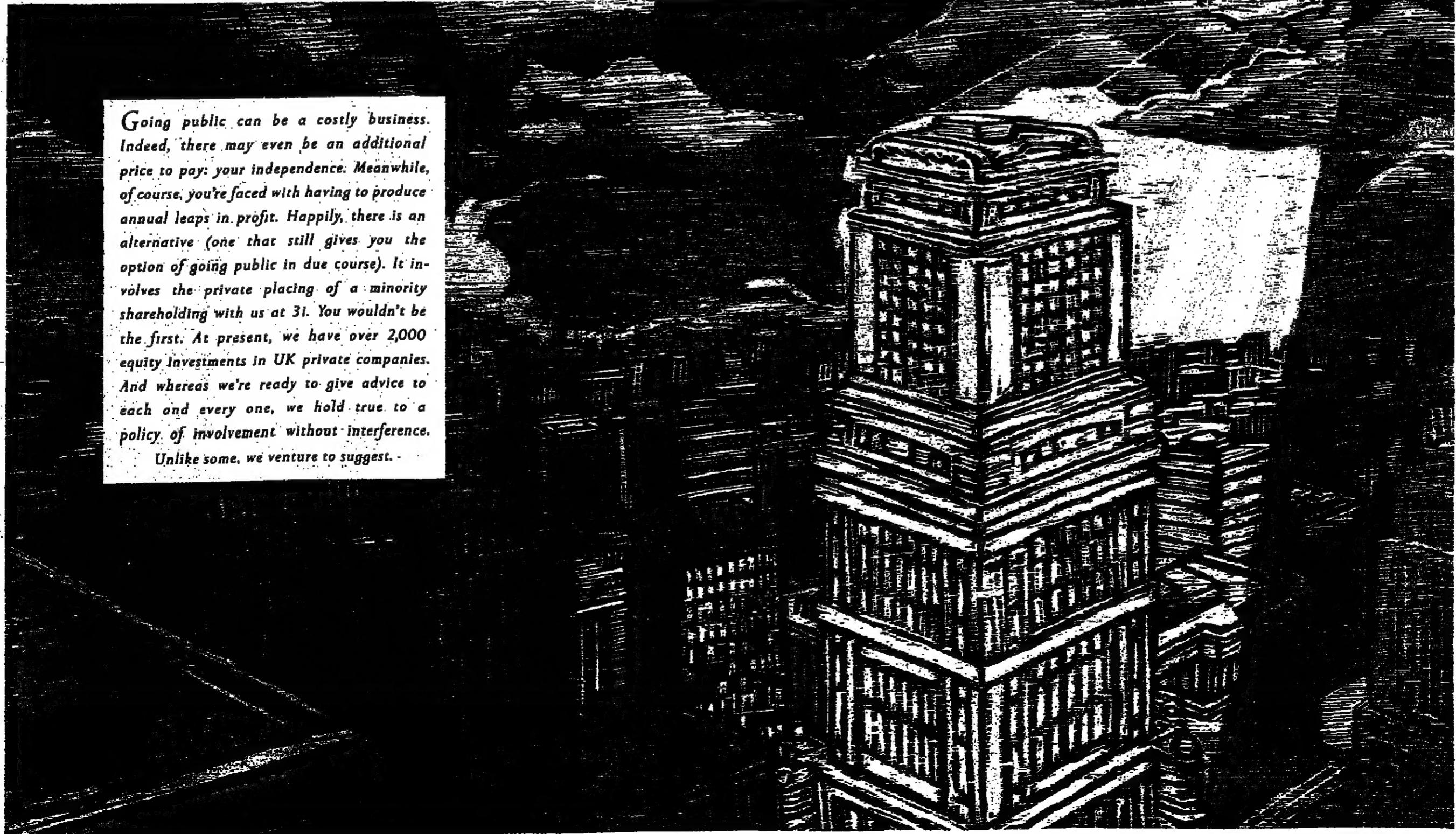
Delays in processing title deeds have recently brought the property under fire. The claims the problems are largely caused by staff shortages.

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MANAGEMENT

IT IS LUNCHTIME at the McDonald's restaurant in the Strand, London. Some 50 employees, divided into six grades, on perhaps 20 different pay rates, wearing badges of three different colours dotted with up to five stars, are putting the Ray Kroc system to the test.

The food they are cooking and selling has come from British wholesalers, but the way the system operates - from the preparation of each Big Mac to the 6-stage serving sequence - is straight out of Oak Brook, Illinois, where the headquarters are. This complex blend of teamwork and competition is a McDonald's secret of work: they work together but also compete against one another.

"McDonald's is a system and one that has to be strongly adhered to - there can be no digression. It works and everyone within it is satisfied that it works, so we see no reason to change it," says Sid Nicholson, UK personnel manager.

As the company continues to expand around the world, that system of labour management - once viewed in Britain as a bizarre curiosity - is increasingly mimicked by other fast food chains. Performance-related pay, customer service training, and extensive employment of part-timers are becoming the rule rather than the exception.

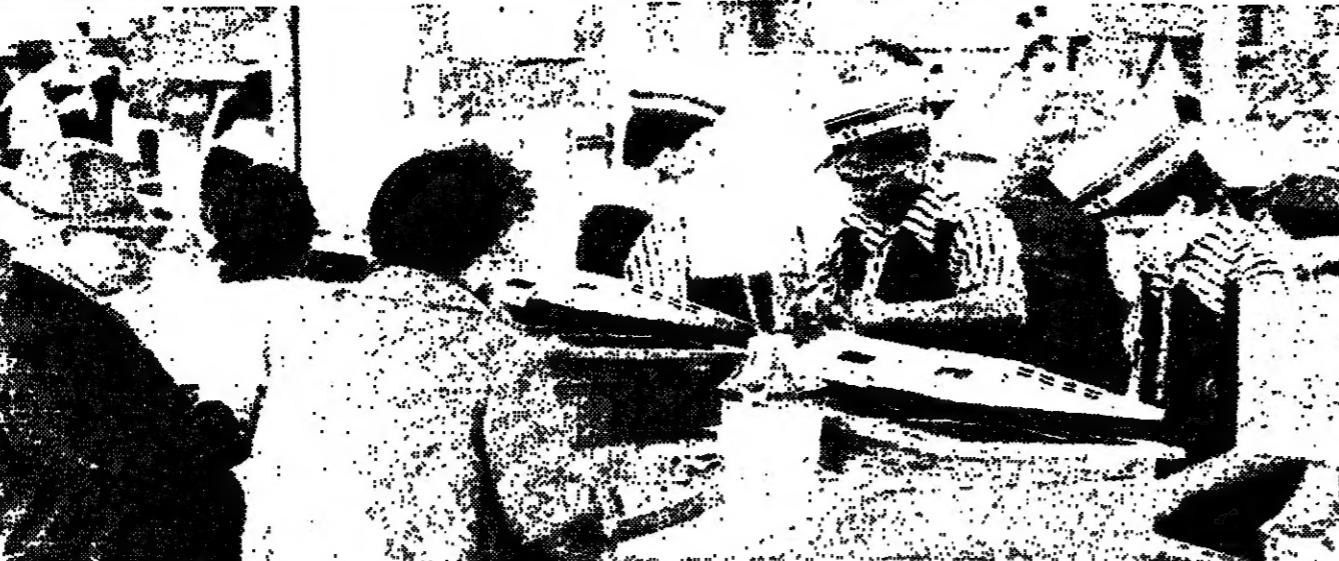
Trevor Little, employee relations manager of British Rail's station catering arm Travellers Fare, is open about the influence of McDonald's. "All credit to them because I think they have woken Britain up. They have helped us to bring about changes we would never have managed otherwise," he says.

Travellers Fare has consciously used its fast food chain Casey Jones as a "greenfield site" at which to try out labour practices pioneered by McDonald's - including flexible rostering of new and merit pay rises. It now intends to spread some of these into other areas of its business.

The fast that has brought McDonald's so many admirers is its ability to extract a high degree of commitment and performance from crew members who are commonly young, part-time, and only there for a short time. 65 per cent of McDonald's UK crew are under 21; 76 per cent are part-time, and annual crew turnover is 196 per cent.

The McDonald's crew handbook, handed out to each new recruit, offers a simple explanation: "Our competitors can copy many of our secrets, but they cannot duplicate our pride, our enthusiasm and our dedication for this business. The McDonald's spirit is exclusively ours and yours."

The practicalities are rather more complex involving rigid systems of crew grading, training and performance assessment and the fostering of competition within and between



Employees work together and in competition with each other to win their 5-star white badges

Crew system done to a turn

John Gapper reports on the trend-setting work ethic engendered by McDonald's

restaurants. Outside influences - notably unions - are not permitted to intrude.

An incoming worker wears a green badge signifying a probationer - and is trained for 21 days in the basic skills of the five restaurant areas by a member of the restaurant's "training squad". Starting pay varies between £1.58 and £2.88 an hour depending on the age of the probationer and the location of the restaurant.

He or she then becomes a full crew member, wearing a yellow badge with five spaces for stars - awarded for proficiency in two restaurant areas, correct procedures, cleanliness and personality - and enters the performance and pay review system.

"It is McDonald's policy to pay for performance," says the crew handbook. Its method of doing this remains unique within British fast food - smaller chains such as Casey Jones believe the cost of administering the McDonald's system would not be worth the rewards to them in labour productivity gains.

Every two months, crew members are assessed by managers on 11 restaurant skills and 12 "personal attributes", including "desire to progress" and "awareness of customer needs". Each second performance review gives a 5p per hour increase for crew members rated satisfactory, a 10p increase for those rated good, and 15p for those rated excellent.

Those who emerge above the low badge level are in the top grades of hourly paid workers and become entitled to wear white badges. These include members of the restaurant training squad, and floor managers who supervise areas within restaurants.

The opportunity for these elite crews to be promoted to stage further into salaried management is emphasized as one of the ultimate prizes for performance, and those who make it are held out by McDonald's as an example of the chances that the system offers to each of its 19,000 staff in Britain.

Ramesh Ravalia is one example. He is the 26-year-old store manager who oversaw the blur of brown-uniformed youngsters coping with the lunchtime rush in the Strand. Some 33 per cent of the company's UK managers - former crew members - among them Casey Jones believe the cost of administering the McDonald's system would not be worth the rewards to them in labour productivity gains.

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McDonald's is full of such importance of team work, and the

achieving spirit of the true McDonald's worker. There is a company attitude - a willingness to work hard, a belief in self, a wish to excel - which it seeks in each recruit.

The attitude is a big part of it. With a good attitude, I can train them to do virtually anything, says Ravalia, and looking for someone who is willing to be trained and guided, who looks forward to the performance review, who argues constructively.

It is an environment in which Preston believes a good employee should have "something in them that says: 'In my heart, I know I can do something more and a little better.' It is accordingly one in which unions - and the idea that crew members have different interests from the company - are regarded as an unwelcome intrusion.

Preston describes unions as "just not necessary" for McDonald's or its British employees.

Ravalia abandoned a quantity surveying course to work his way up McDonald's after starting as a part-time crew member. He recalls: "I saw something that worked. You could ask for help about anything and the store manager did not just hand down orders, he actually worked alongside his staff."

McDonald's is full of such importance of team work, and the

express our people's needs better than they can themselves," he says.

McDonald's puts considerable emphasis on its harmonisation of management and crew growth in a single team to back its strategy of excluding unions. Preston provides his own demonstration at the company's UK headquarters in East Finchley, London, by disappearing to fetch morning coffee for the visitor; it is served in a polystyrene cup complete with McDonald's plastic spoon.

The increasing consensus

among British unions that they must expand membership within the sectors of the economy and parts of the workforce that are growing in order to survive means that McDonald's and other fast food outlets are likely to become a focus of attention for unions for which McDonald's philosophy is anathema.

Yet at Casey Jones, one chain where there is already strong union representation, managers have made a conscious attempt to move towards labour practices pioneered by McDonald's and away from policies which were - in the company's own assessment - "fashioned more by trade union pressure and government legislation than by business requirement."

Recognition of the hotel and catering section of the National Union of Railwaysmen at Travellers Fare meant the possibility

that attempts to mimic McDonald's would be resisted. Yet this has not happened, according to Little: "I think the unions have accepted our ideas because the staff wanted the flexibility we were offering."

The most obvious example of this is that Casey Jones crews are hourly paid, while blue collar grade workers at other Travellers Fare outlets are on a fixed 38-hour week and are paid weekly. The company now wants to transfer all its workers to the fast food system.

It is also about to tie pay to performance for the first time by allowing an increase in the hourly rate of 2p and 15p for those doing well after three months. The influence of McDonald's is plain: the rise is dependent on the achievement of five stars on a badge.

Casey Jones was set up by Travellers Fare in 1982 - the same year that it was formed as a subsidiary of the British Railways Board. Little cannot envisage the chain in which employing 12,000 staff, reaching to the point where a full-blown McDonald's pay review system would be cost effective.

Casey Jones' crew starting pay rates are roughly comparable with McDonald's - varying between £1.58 and £2.80 per hour - but its turnover is lower - around 100 per cent - and the age profile is correspondingly higher. Even in London, where turnover is highest at all chains, the majority of crew are in their early 20s.

Travellers Fare would like to lower the age profile - an obvious method of reducing labour costs - but is keen to continue its high level of management recruitment from crew. Eighty per cent of current managers are former crew members, including the chain's deputy brand manager, John Fildes.

At Casey Jones' King's Cross outlet, where passengers rushing for trains to Yorkshire can grab a Chilli Beanburger on their way, the reason is exemplified. The deputy manager here is 21-year-old Andy Bushell, who abandoned A-level studies to join the chain's deputy brand manager, John Fildes.

Bushell has been brought in from the Casey Jones outlet at the Euston station ticket barrier with another manager to apply a firm touch to a restaurant which was falling below the chain's standards. "I'd had enough of college; I saw the promotion prospects and I thought I would give it a whirl," he says.

"When we came here, the crew had no direction - so we took them on one side and had a chat. We have given them encouragement and they have responded. They may be low paid, but it is not hard to get them motivated."

There may still be a difference at McDonald's, but - in labour terms at least - it is becoming smaller.

The dangers of fake entrepreneurship

BY CHRISTOPHER LORENZ

IN THEIR desperate quest for a revitalising dose of internal entrepreneurship, large American companies are tending to use recognition, enhanced status, and the opportunity to engage in entrepreneurial activities on a bigger scale, reported Sathe. These rewards, together with personal commitment to the venture, were what really prompted individuals to make entrepreneurial contribution. "Money was neither offered nor seen as a primary motivator."

"Deep entrepreneurship" is also fostered, according to Sathe, by an expectation that there will be a high failure rate among new ventures. As a senior manager in one company put it to Sathe, "failure is normal. What is important is what we learn from it."

Sathe's current researches suggest that European seekers after corporate entrepreneurship are proceeding in a more subtle fashion than their US counterparts, especially with regard to the motivation and payment of innovative managers, and the setting of separate financial objectives and controls for the ventures.

The bringer of these tidings about what he calls "fake entrepreneurship" is Vijay Sathe, a professor at both Claremont Graduate School in California, and IMEDE, a graduate European business school. Sathe is in the process of conducting a Transatlantic research project on the promotion of entrepreneurship in large companies.

Contrasted with what he calls "surface entrepreneurship", large US companies with a proven track record of deep entrepreneurship manage it very differently, he reports. Entrepreneurship is not a stated management objective, but a "shared value", a taken-for-granted assumption that influences management behaviour in all sorts of ways.

There is therefore little need to "appoint" entrepreneurs, a process which Sathe says is fraught with danger, either because unsuitable corporate managers are appointed, or because "proven" independent entrepreneurs are recruited from outside, with neither the patience nor the experience to navigate the political and cultural realities of a large company.

Presenting his findings at a symposium at IMEDE, the French business school (shortly to be published as an IMEDE bulletin and later in a book), Sathe said he was aware of 15 cases of the failed injection of entrepreneurship via an outside entrepreneur, and not one single success.

Unlike the crude financial incentives used in "surface entre-

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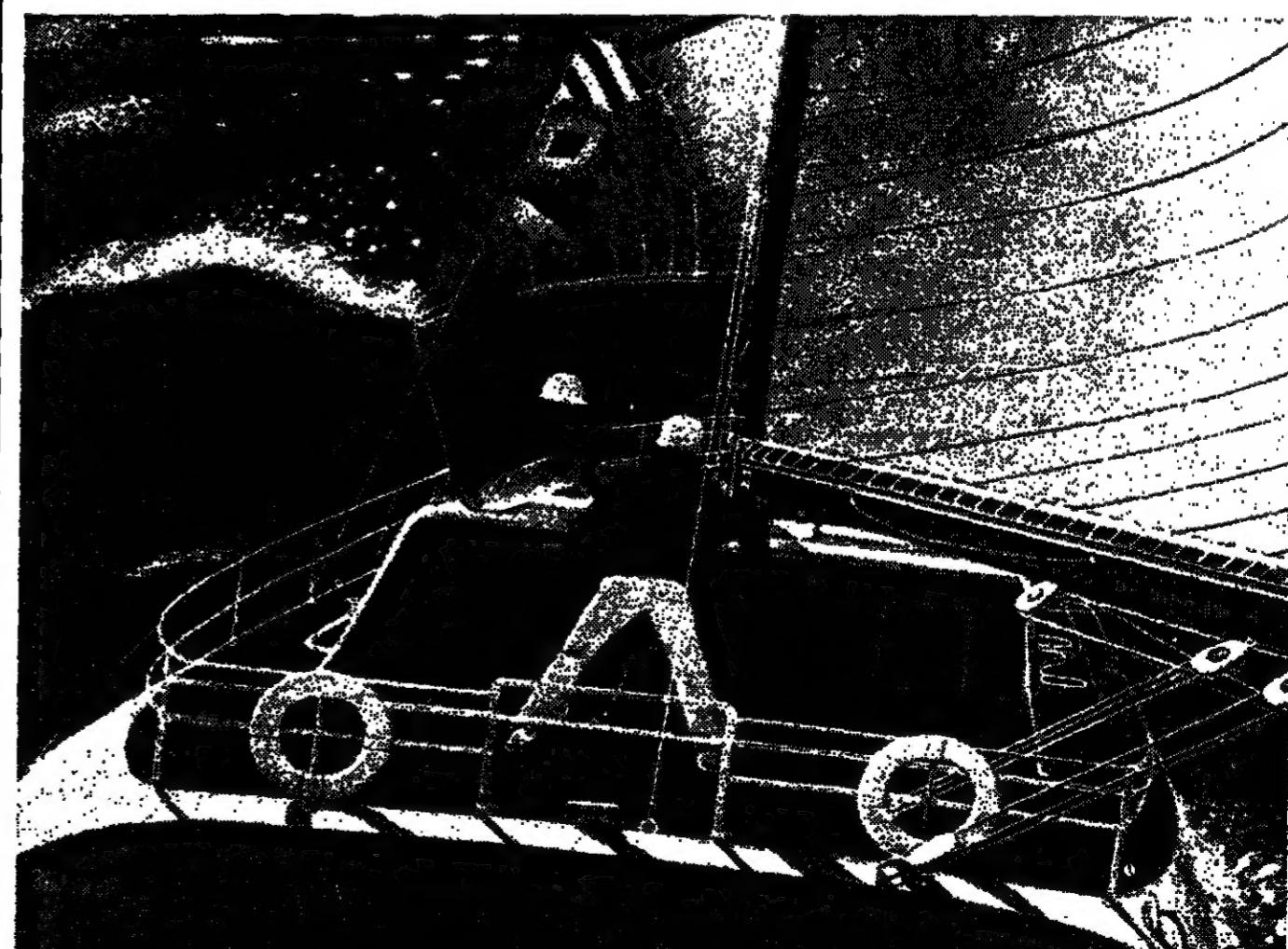


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FINANCIAL

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(01-236 3228)

St Regis Sheraton, New York

September 16

IRRG: Financial services—today
and tomorrow (01-236 2175)

The Brewery, EC2

September 18

The Economist: The privatisation
of the water industry (01-539
7000) Marriott Hotel, London

September 20-22

Metal Bulletin Conferences: Tur-
key's industrial minerals (01-390
4311)

September 21-23

The Third International Asia
Pacific Petroleum conference
(Singapore 7349335) Singapore

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Longman Seminars: 7th annual
UK tax congress — Today's tax
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manager's review — first annual
updating (01-650 5682)

London Press Centre, EC4

September 24-25

The Economist: Asian investment
outlook: analysing the trends and
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820 7000)

Grand Hyatt Hotel, New York

September 25-October 2

RDMP: EPoS with EFTPOS
congress and exhibition in retail-
ing in retailing and distribution
(0273 20385)

Barbican Centre, EC1

September 29-30

Acquisitions Monthly / Business
Research International: How to
buy and sell companies (01-687
4353)

Hotel Inter-Continental, W1

October 4-9

IPM: Selecting managers—ad-
vanced interviewing and assess-
ment skills (01-946 4100) Bristol

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Vleam

October 24-November 1

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ERASIL TRANSPOR

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Sao Paulo

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Institute of Directors: Beating
the competition — strategies of
success in the 1990's
(01-839 1235)

116 Pall Mall, SW1

October 27-28

Financial Times: the fifth pro-
fessional personal computer
conference (01-925 2323)

Hotel Inter-Continental, W1

October 28

Space Planning Services: People
and premises — a strategic
approach to balancing conflicting
demands (01-573 2271)

Earls Court

October 29-November 1

NEC, Birmingham

October 30-November 1

British Martlet Tel-
Shire Inv.

November 1

BOAARD MEETINGS—

Spencer Whittington

THE MONDAY PAGE



JOHN PLENDER

ANY LATIN American finance minister who knocks on the door of US Treasury Secretary James Baker in Washington must surely feel

One Baker plan for the rich, one for the poor

a twinge of envy. Here, after all, is a man who unlike Brazil's Mr Breves Pereira who dropped by last week, is born in his own currency.

This has the happy advantage that while the going gets tough, the US can cut the amount that it owes to its external creditors by engineering a devaluation of the dollar. And as it happens, the going has become tough: the US has fast become the world's biggest debtor.

Indeed, on a set of fairly plausible assumptions, its rapidly growing mountain of debt could, by the end of the decade, be valued at double the outstanding debt of the 15 countries singled out for special help under the Baker plan. That, you may recall, was the scheme to promote further bank lending to debtor countries as part of a new policy of growth-oriented

adjustment, which the US Treasury Secretary announced at the Seoul IMF meeting in October 1985.

Mr Baker has not graced his debt strategy for the US with the formal label of a plan. But as informal plans go, it is quite something, amounting to a trade weighted depreciation of the dollar of nearly 40 per cent since February 1985. The fairness it should be said that this is not all Mr Baker's work. It required a little help from the Federal Reserve and a lot of help from the market. I don't, though, that it is modesty that prevents the Treasury Secretary from trumpeting the effectiveness of his management of the US overdrift.

In contrast, the Brazilian finance minister does not seem to have managed his national debt with any great skill. Why, for a start, was he dropping in on Mr Baker in the first place? He was hoping to sell a scheme for the compulsory conversion of half Brazil's \$68bn (£41bn) bank debt into bonds carrying low rates of interest. The banks were objecting strongly because they would have been forced to make substantial write-offs in the light of the terms of the proposal.

Mr Baker has not, admittedly, shown any great love for the banks of late. Following the gradual improvement in their balance sheets since Mexico revealed its financial troubles to the world five years ago he is probably less worried about them than he was; and he may well have drawn heart from the apparent smoothness with which the biggest independent bank in Houston, Texas—First City Bancorp—was steered through

that leverage has increased palpably over the past year or so. When the debt crisis began, many of the victims were running trade deficits.

In other words, they were living beyond their means, courtesy of the bankers. Default would have been a recipe for instant austerity, because it would have cut off the flow of capital that financed imports of goods and services.

But none of this should have led any Latin American finance minister to assume that a US Treasury Secretary could publicly endorse a package of the kind that Mr Pereira put forward. The fact is that they feel that the debt issue is a matter for agreement between government and the major banks. It has failed to take the opportunity to come as close as possible to repaying the outstanding debt of the Philippines. A small price to pay for democracy, she might well argue in the wake of the fifth attempted coup against her; and why should she respect the banks that undermined the unsavoury regime of her

successor, President Marcos? Or, again, almost any other major debtor that can bring strong moral or realpolitik arguments to bear.

There are, of course, risks. But then there are even risks for Mr Baker in the way he has chosen to handle his dollar borrowings. No major debtor country has ever before been responsible for the world's chief reserve currency. And the continued downward pressure on the dollar arising from the huge US external deficit will impose costs: the Federal Reserve may be obliged to observe more cautious monetary policies.

But in international financial relations, the tide invariably favours the strong. We have not heard the last from the larger debtors. Or, indeed,

Home truths prevail



JUSTINIAN

EVERY modern industrialised country has established a concept of law designed to connect the personal relations of the individual with a territorial legal system. English law opted for the concept of domicile, while other countries preferred to link the individual by use of habitual residence or nationality.

The Law Commission and Scottish Law Commission have just jointly published their proposals for retaining the concept of domicile, while recommending substantial changes to some of its component rules.^{*}

Although the subject of domicile has provided grist to the academic and juristic mills, basically speaking a person's domicile is the place where he intends to be his permanent home. More legally speaking it is the individual's (or legal person's) technically prominent headquarters that he or she is compelled to have in order that certain rights and duties, attached to the concept by the law, may be determined.

What precisely are those rights and duties? They are the person's status in society, the matrimonial relationship of spouses and the relation between parents and children, the succession of property at death or on bankruptcy and certain aspects of modern tax laws.

The present rules for determining domicile have been the subject of constant criticism over 30 years for their completeness, technicality and even artificiality. In 1954 the Private International Law committee appointed by the Lord Chancellor, grappled with the topic. It gave unanimous approval to contemporary judicial practice in a highly controversial branch of law, leavened only with minor suggestions for amendment. Judges and administrators alike took comfort from this endorsement, although there was some eyebrow-raising at the committee's appearance of daring to include in its report a draft code of the law of domicile.

The two Law Commissions argue powerfully why English law should not jettison the concept of domicile. Although the concept of habitual residence already appears in some UK legislation—again mainly as a relevant factor in determining the jurisdiction of the courts in matrimonial and other family law issues—it has not been adopted as a general substitute for domicile. And while the concept of habitual residence has some advantages—ease of determination, simplicity in law comprehension and the fact that it is uncomplicated by the need to develop a domicile of dependency to connect a child with a system of law—it also has serious drawbacks.

The major criticism is that as a connection between a person and a country the link is insufficiently strong to justify the person's civil status and personal affairs being determined invariably according to the law of that country.

The report illustrates the point with reference to persons working or living abroad for prolonged but temporary

periods. The exclusive use of habitual residence would cut the links between many temporary expatriates and their homes, isolating them from their dependents from its law despite their close connection with that country. This would be dramatically so where the cultural background of the country of habitual residence was very different or even alien to the culture of the person's home country. Much the same disadvantage applies to nationality as the connecting factor. While it is a proper test of political status and allegiance, domicile as a person's permanent home will be required; they believe V. P. Singh's political star will fall as rapidly as it has risen.

"This is all the result of the political chemistry of several things. There was the question of the submarine deal and my dismissal and expulsion. But along with that there was an erosion of credibility of Rajiv, and a disillusionment after all that had been hoped for in 1984 when he came to power. Definitely also there is a disillusionment with the Congress Party," says Mr Singh.

He acknowledges that corruption is hardly new in India. But he believes there is a "qualitative difference" in the case of the \$1.4bn (£0.8bn) Bofors contract which is at the centre of the current controversy.

"There is concrete proof of corruption this time—Bofors has said that Rs500m (£23.6m) was paid—that is proven. The way the Government has behaved gives the impression there is something to hide."

Mr Singh says the Congress party "served the country well" before and after India's independence 40 years ago, but he criticises its lack of internal democracy. It has held no elections at any level for 15 years and every official is appointed from Mr Gandhi's personal downwards.

"Unless we democratise the vehicles of political activity, how do we create a democratic ethos in the country? It is still run on a feudal style." Mr Singh would like to see a tax on luxury items to finance political parties and elections, so curbing dubious fund-raising activities from the party.

Mr Singh argues that Indian democracy would mature if Congress I changed its leader. "It would be the result of people expressing themselves. In 40 years that has never happened in the party because of the changes of party leadership have always been brought about by death." Known publicly as Raja Saab,

INTERVIEW

'Only on my terms'

John Elliott meets V.P. Singh, seen by many as a rival to Rajiv Gandhi

Mr Singh was born the younger son of the Raja of Dalsi, in the vast and politically important northern state of Uttar Pradesh, which has become the traditional base of Indian prime ministers. He was then given (as sometimes happened between neighbouring royalties in order to guarantee succession where a family had no male heir) to the childless Raja of Manda, Raja Bahadur Ram Gopal Singh. Manda, also in Uttar Pradesh, was a relatively princely state. But Mr Singh is, nevertheless, a distinguished member of the Thakur Rajput caste of princely warriors-cum-

PERSONAL FILE

1931 Born, son of Raja of Dalsi, in Uttar Pradesh. Adopted son of Raja of neighbouring Manda
Educated: Universities of Allahabad and Pune
1974-77 Deputy Minister of Commerce
1980-82 Chief Minister of Uttar Pradesh, his home state
1983 Minister of Commerce
1984 President of Congress I Party in Uttar Pradesh
1985 Finance Minister
1987 Defence Minister (Jan), resigns (April), expelled from Congress I (July)

landlords who like the Sikhs, use the name Singh.

The Rajputs are India's most important caste after the top Brahmins, who are its prime ministers. There has never been a Thakur or Rajput prime minister, and there is still run on a feudal style. Mr Singh would like to see a tax on luxury items to finance political parties and elections, so curbing dubious fund-raising activities from the party.

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ricated home. At 56, looks fitter and more relaxed than when he was Finance Minister. "Yes, I am rid of the Government, I am enjoying it more," he admits.

Apart from his security guards, and an elderly personal secretary, he has shed the trappings of office and is looked after by his tall elegant wife, Sita Kumari, who brings soft drinks, answers the phone, and quietly hustles him on to his next appointment. One of their two sons lives with them and their two-and-a-half-year-old grandson inspects the steady flow of visitors and peers at crowds outside the gate. "He is having a much more political upbringing than our sons," says Mrs Singh.

Leaders from all sides of politics, from all sides of the political spectrum, have flock to Mr Singh even though he is not a member of the family.

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THE ARTS

Architecture/Colin Amery

An honest solution to a complex brief

The corporate headquarters of multinational companies that are built in the expanded towns of the over-built south east of England do not often create architectural excitement. There are not in the UK the sort of lavish park-like headquarters that are relatively commonplace in Connecticut, New Jersey and the greener surroundings of New York. In the United States architecture of high quality is very much part of the corporate image.

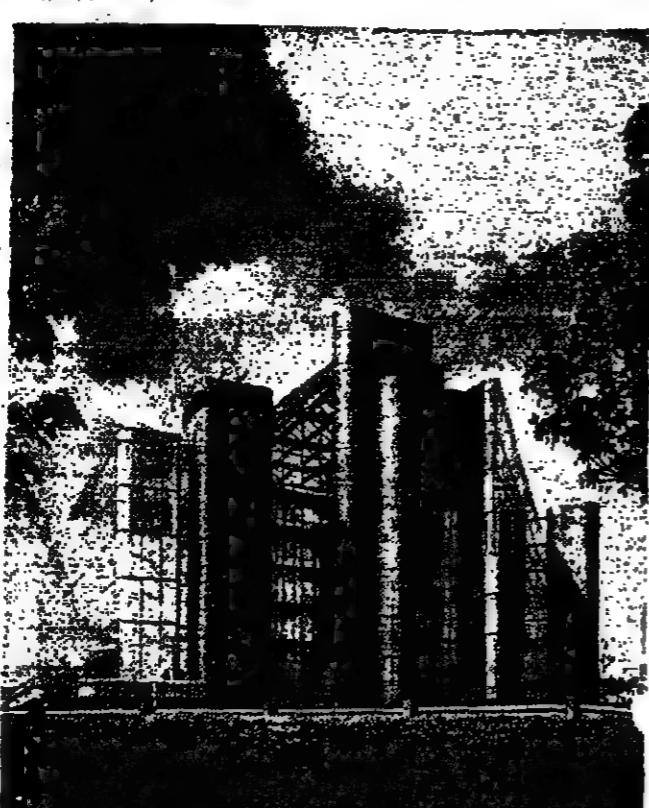
It has taken a North American firm to give an indication of the way things could be. Sun Life of Canada earlier this year opened their British national headquarters in Basingstoke, in a purpose-built new home designed for them by the architects EPR Partnership.

It makes an interesting case study. Sun Life of Canada have long been associated in the public mind with their offices in London close to the Canadian presence in Trafalgar Square at Canada House. For them to move their national headquarters out of London was a major step. Only after reviewing some 40 towns and cities was Basingstoke selected.

The company behaved impeccably in selecting an architect. As is by now almost traditional a small number were invited to take part in a limited competition. Of the five selected EPR were seen quickly as clear winners.

It has become a habit for firms better known by the names of their founding partners, in this case Alison, Park and Roberts, to adopt initials and logos as the older partners move towards retirement. It is a curious trait that has led to a crop of them and known only by their acronym. EPR Partnership are best known for the caverns of commercial office buildings that line one half of Victoria Street in London. They have always been architects to the top end of the commercial world. A large and thriving practice, middle of the road when it comes to matters of taste and design but utterly competent and reliable.

Firms like these with partners in their sixties are naturally enough loyal to the design conventions of the modern movement. Architects seem to grow slowly away from the ideas



Considered corporate architecture: the new headquarters of Sun Life of Canada at Basingstoke

implanted at the architectural schools. Corporate architecture is as much part of the architects' output as making *Cortinas* for Mr Ford. The crucial thing is for this everyday design to be as good as possible.

To win the competition EPR Partnership submitted two possible schemes. Interestingly the client opted for the more expensive and architecturally more exciting one. The client, playing an important role, saw that there was a real need to provide a home for new workers and for those who chose to move out of London, which displayed a high standard of comfort and design. The new building also had to create an attractive image—in a town of new buildings on a site of old importance. Companies like IBM, Digital, Wiggins Teape, Thomas de la Rue compete for

attention and the general view of Basingstoke's towering office-scape demanded a striking new addition.

An "L-shaped" seven-storey structure frames an atrium which is entirely enclosed. From the outside the mirror-glass walls and carefully detailed aluminium-clad towers make a very smooth and elegant impression. It is the language of technology but the silhouette and the organisation of the formal qualities of the building make it both accessible and pleasing.

One of the problems of contemporary architecture is that in its use of technology, materials it does not appear to relate to any of the traditional tenets of architecture. Scale and proportion are often completely ignored to make a building work from a kit of parts. Some famous architects today have

tried to make the aesthetics of the machine into an art form. The Hong Kong Shanghai Bank by Norman Foster showed this is possible and when it comes off the building does reverberate with the chords of true architectural quality.

What has been successfully achieved in Basingstoke is a version of the better elements of much recent architecture combined to produce a respectable design. It cannot be seen as a work of great originality. It does a task well, striking the balance, glass roof, well detailed and made skin and composing them into a good version of the machine-made ideal.

Inside this very neatly planned block the atrium lined in marble and with a waterfall and the almost inevitable line of ficus trees is a worthy descendant of the great American atrium. It is agreeable to be in. There is life going on

around you that is visible and the whole place is filled with a blaze of sunlight.

The individual office floors follow the normal air conditioned rules—that is everything is perfectly serviced—the resulting environment bland but never disagreeable. Offices for senior staff have well-made timber panelled walls and tall and mildly eccentric metal doors.

I found the new headquarters more interesting on the outside. There is little wrong with the interior but there is a lack of colour and everything is standard of the average office building—it suits its site and successfully avoids any hint of gaudiness.

A complex brief had prevented the architects from delivering an honest, careful and considered solution.

Söderström and Walker

David Murray

A duet recital by Elisabeth Söderström and Sarah Walker might seem to threaten a positive overdose of charm (or even the Binge and Brackett syndrome), but Thursday's programme was too expertly designed to risk winsomeness. There was no cabaret until the end, and each half of the concert contained a serious solo group for each singer. Jocelyn Brahms duets—one for sister-sister another for mother and daughter in which Mummy turned out to be a real wench—followed nicely upon Miss Söderström's mainly Spanish songs, bookend equally their closing Rossini numbers lowered the tone cheerfully after her impassioned Rakhmaninov group.

Miss Walker's solo share consisted of four friendly, eminently revivable songs by Dvorak, including "Dile Lordi Blame," which poles apart against Schumann's and Debussy's *Chansons de Bilitis*, long-standing Walker favourites that she sings with sensitive awareness of their curious undercurrents. Sensibly, she

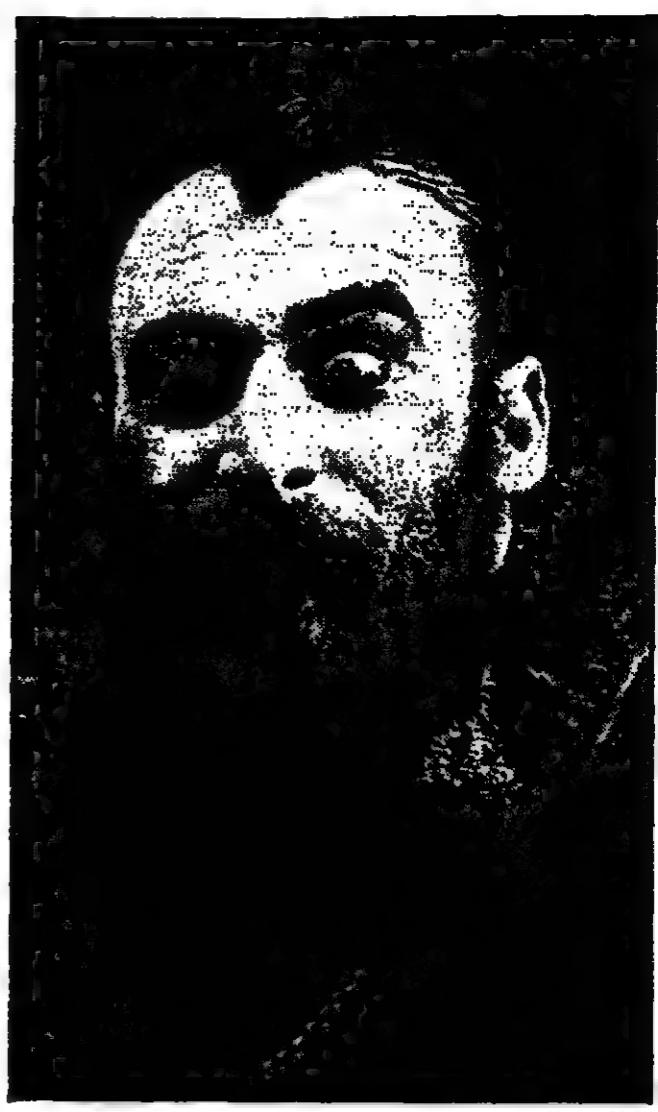
"reports" them rather than acting them, unlike some other mezzo whose timbre isn't of a tremendous nymph.

There as almost everywhere the accompanist Roger Vignoles was in superlative form, creatively loyal both to the music and to his singers. Only Wolf failed (just) to ring true: somehow Söderström doesn't quite capture Wolf's peculiar balance between irony, tact and wit, and solid Austrian composition either, though she brings pretty ideas to it.

The duets revealed the acutest sympathy between the singers, as was to be expected, and also such differences in singing style that considerable intelligent efforts were needed to make them work. Walker's German is a world away from Söderström's, which means that Dvorak's infectious Moravian duets had to be got together by sheer insouciant bounce (in Brahms the dramatic content was a help). In French the ladies were much better matched with fetching results in Gounod (especially in what ought to be a very mismatched duet, "D'un coeur qui t'aime"—altogether melting here).

The Revenger's Tragedy/Swan

Michael Coveney



Alastair Muir

The Revenger's Tragedy was the play that made Trevor Nunn's early reputation at Stratford-upon-Avon on the main stage in 1966. Now Cyril Tourneur's glittering grand guignol, full of carnal, bloody and unnatural acts, confirms Di Trevi's promise in the Swan, Nunn's material legacy to the

In the late 1960s, the play was an exhilarating revelation, bitter and funny, vicious and unforgettable, costumed in silver and black Renaissance splendour. Today the events strike a grim chord of casual dissonance, of nasty knifings, snuff movies and spangled post-Punk decadence. The old are no less predatory than the young.

Tourneur's rotten Italian court is an imperishable analogue of a surfeited and self-serving society. An outsider must be climbing indeed to penetrate the labyrinth and flush out corruption. And Antony Sher as Vindice is an impassioned avenger. Nine years have passed since his beloved Gloriana was poisoned by the Duke or rebuffing his advances, Sher and his family—first seen lurking in the shadow of the court—have gone to rack and ruin. Sher comes out of the ground like a beggarly malcontent, a disorderly hermit clutching Gloriana's skull.

Rape is the fashionable hobby at court and the other-worldly Vindice is hired to procure his own sister for the pleasure of the Duke's son, Lussurioso (Nicholas Farrell rather more unsociable than insatiable). Sher disguises himself as a pomaded barge boy with an unruly approximation of a Cockney accent and settles into his travelling role by rationalising the task as a test of his sister's, and mother's virtue.

He never loses sight of the main revenge task but the play is most interesting in what happens to Vindice who pretences to forget his mission. Sher does not do such things and breaks out of the straitjacket implied in his morality play nomenclature. Vindice's adventure becomes an examination of his own identity, further complicated when he "comes a melancholic lawyer" armed with bumping off his own first alter ego, his lover's memory and his sister's honourable, innocent bessie.

In short, Sher's manically glazed-eye hermit comes back to life in the very midst of death. This performance is little short of sensational, a brilliant contrast with my memories of Ian Richardson's reverberative ice-cool executioner.

The poisoned skull is operated by Sher as if it were a vanquisher's property. The invocations to the elements (Vindice is a meteorological murderer, not a divine agent) are met with tremendous roars of thunder and Sher opens in full throttle in response. Through role playing he acquires a glinting new enthusiasm unquenched by the final error of confession. The job has been done, his lover's memory and his sister's honourable innocence.

Miss Travis, the designer Michael Levine and the lighting designer Gerry Jenkins (working with Ben Ormerod) pay creative dues to share apprenticeship at the Glasgow Citzens. The Swan stage is swagged in black, a central tilted ramp serving as bed, inner stage and scaffold. The glorious costumes are both broken-down Renaissance extravagances and contemporary high-sloopy fashion.

The cast is strong and energetic, with Julie Lydon's lecherously scheming Duchess grabbing her barrow boy bastard stepson Spurio (Phil Daniels). "Old Dad dead?" under the nose of David Hockney's amanuensis doddering Duke. Stella Conet is outstanding as the chaste sister, playing her big scenes with mother (Linda Spurio) notably well. In all, the show is a riot of brutal masques, leaping knives, bad taste and illicit laughter. Tourneur's brute poetry loses none of its appeal.

Don Carlos/Royal Exchange, Manchester

Michael Coveney

Schiller's heroic tragedy receives its British premiers at the Royal Exchange in Manchester, an event of some importance rewarded with only a pitifully thin house on Friday night.

The adventurousness of the Exchange in presenting the play and of Nicholas Hytner in directing it so very well deserves a better response. Even if James Maxwell's new translation is short-lived, neither high-flying verse fowl nor low-scudding prose fish (Schiller's 1787 poetic blueprint survived both a prose equivalent and Goethe's notorious Weimar production), the adaptation itself is clear and serviceable.

The first night audience knew the jokes as well as the company, and laughed as punctually as Gilbert and Sullivan people. Nothing much had changed since 1865. But these are other thoughts about the matter.

They, and all the company, speak the text with conscious conservatism. Wendy Hillier is an obvious, and enjoyable, choice for Lady Bracknell, and I hope she will not mind if I remark that she is as well fitted to be Gwendolen's grandmother as her mother.

Denis Lawson's Algy and Clive Francis' Jack also have an aura of seniority about them that goes ill with their irresponsible behaviour. Gabrielle Drake and Natalie Orlitz have no such trouble with Gwendolen and Cecily; all they have to do is look pretty, which they do, and speak the lines intelligently.

As for Lady Bracknell points out, we're independent of years. Phyllida Law is not a lady but a governess, and could not be taken for anything else besides her straw boater; she will be well matched with Harold Innocent's canonical Canon Chasuble.

The story in Verdi, whose librettist followed most of Schiller's directions: the infant son of King Philip II of Spain is a 25-year-old tortured romantic in love with his step-mother, the Queen's.

The plot is unlikely and awkwardly carpentered but it does have a Victor Hugo compulsiveness about it, and is interestingly different from our own brand of tragedy. Mr Hytner has not weighed down the evening with portentous playing, but has kept things light and witty.

The cruciform acting area emits an atmosphere of the grey stone courtyards and church interiors in Madrid and Toledo. Actors are abed in steel-capped boots and clatter backwards, bowing to Philip, as they leave his presence. A steel mesh cross explodes in flame, an opening effect of terrifying bursts of hellfire and the final enclosure of Carlos and his mother, radiantly reunited, by the torch-bearing ecclesiastic King Kink Klan of the Grand Inquisitor (Verdi's operatic poisoner in the hero's safety).

You have great scenes, rather than great drama, in Schiller. These include Ian McDiarmid's tarty, shaved-haired, incendiary Philip calling a halt to nightmare ("a nodding head cannot wear the crown"). Like Shakespeare's Henry IV, Michael Grandage's headlong Infants mistaking Eboli (touchingly played, and sung, by cheeky jowl's stoutish Maria, Melinda McCraw) for a trusted confidante and the insidious but underpowered quizzical Posa of Reece Dinsdale impressing upon an astonished king the value of free thought and speech unhampered by political interference.

Virginia Greig is a pretty porcelain Elizabeth but her range of expression is too fragile for the thunderous upsurges of emotion. Overall, Mr Hytner's canny directorial play and its passions thrash in the way he made Marlowe's Edward II throb at this address last year. This Don Carlos remains a revived classic, fascinating but remote. One wonders if the Glasgow Citizens (who did a fine Mary Stuart last year) in a much better new translation than Mr Maxwell has provided for Manchester will have any more luck next month with *Jours d'Arc*.

As always in a Hytner production is well organised, Richard Hudson's aromatically chill grey design enlivened with black period costume, foldaway flats and tombs, and great low red and white carpets. The lighting is by Nick Cleaton. Composer Jeremy Sans provides what sounds like a terrific new Mass, excerpts of which punctuate the poisoned ecclesiastical and romantic proceedings.

September 11-17

NEW YORK

IBM Gallery, Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1980 to 1985, originally organised by Williams College and Deichtorhaus Architekturmuseum in Frankfurt. Ends Nov 7. 5th & Madison (407 8100).

WASHINGTON

Smithsonian Institution, Art and Design Building, Egyptian Hall, 14th and Constitution, Washington, DC 20560. Tel 202 727 4000. Open 10am-5pm. Closed Mon, Dec 25, Jan 1, Feb 20, Mar 20, Apr 14, May 25, Jun 25, Jul 4, Aug 12, Sep 14, Oct 12, Nov 11, Dec 26. Free admission.

CHICAGO

Art Institute, 111 South Michigan Avenue, Chicago 60603. Tel 312 443 3600. Open 10am-5pm. Closed Mon, Dec 25, Jan 1, Feb 20, Mar 20, Apr 14, May 25, Jun 25, Jul 4, Aug 12, Sep 14, Oct 12, Nov 11, Dec 26. Free admission.

ITALY

Venice: Alte Pinakothek and Museo Correr. "Matisse and Italy": over 250 works by one of most popular of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's rare output of sculptures and ceramics. The scope and depth of the retrospective, with 40 paintings and four painted constructions. Ends Oct 28.

WEST GERMANY

Kassel: Museum Fridericianum Orange. Documents a World exhibition of contemporary arts: paintings, sculptures, theatre performances, architecture and design. The documents was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miró and is an important venue for modern art. This

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exhibition presents the works of 120 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melnikov, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition The Ideal Museum where 12 architects present their ideas for museum construction. Ends Sept 26. Kassel, Niedersachsen, Germany.

TOKYO

National Gallery, Turner Bequest, 1860 pm, Saint-Sulpice Church.

PARIS

Orchestre National de l'Opéra, 1860 pm, Saint-Sulpice Church.

LONDON

London Classical Players: Beethoven series conducted by Roger Norrington with Melvyn Tan, fortepiano; Queen Elizabeth Hall (Three).

LAURENT

La Marseillaise, Burgundy's Vocal Ensemble conducted by Jacques Ech-

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TOKYO

National Gallery: A Century of Modern Sculpture, the Potsdam Collection, contains major works by Rodin, Picasso, Moore, Giacometti, Ernst, Moore and Serra. Ends Jan 3. Hochschule für Bildende Künste, Berlin.

CHICAGO

Chicago Painting and Ceramics of the 1860-1960 century: 144 paintings and 33 ceramics comprise this important exhibition, from the Yung Ho-Tang collection in Taipei. The paintings include traditional-style watercolours of landscapes, birds, flowers and portraits. Especially interesting are works by literati painters with their political overtones—orchid/bamboo/pine/bamboo/plum compositions symbolising difficulties in a harsh political climate.

Works of China's two most important modern painters, Chi Pei-Shih (1890-1979) and Tu Pei-Shih (1890-1985), are included. The ceramics, mostly Chien-Lung, are synonymous with excellence, were made for the Imperial family. Iden-ki, Minzun, Hinkyo, other main hotels and Ginta, Endo, Sept 27.

WESTERN JAPANESE PAINTINGS OF YAMATO SUGAWARA

120 works of one of Japan's finest contemporary artists. From Nihonga (19th century), Western-influenced Japanese painting to modern futuristic themes, he is one of Asia's most prolific artists. National Museum of Modern Art, near Takashita Station, off Imperial Moat. Ends Sept 27.

CHICAGO

Art Institute: Walter Evans photographs of the 1920s showing poverty and despair in the American South, women famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibition is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

CHICAGO

Modern Japanese Paintings of Yamato Sugawara, 120 works of one of Japan's finest contemporary artists. From Nihonga (19th century), Western-influenced Japanese painting to modern futuristic themes, he is one of Asia's most prolific artists. National Museum of Modern Art, near Takashita Station, off Imperial Moat. Ends Sept 27.

TOKYO

Ian McDiarmid

FINANCIAL TIMES

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Monday September 14 1987

EMS: the time is ripe

THREE CHANGES in the operations of the EMS agreed by the European finance ministers at their meeting in Denmark on Saturday go a good deal further than the technical changes already made by their central banks. By adding regular surveillance of a range of economic indicators to the agreements on intra-marginal intervention and interest rate co-ordination, the Ministers have ensured that the spirit of the changes—designed to spread the burden of stabilisation more equally between strong and weak members countries—is kept alive. Although the Bundesbank is not automatically committed to assisting the weak, and there could still be clashes over the sanctity of German domestic monetary policy, the new agreement goes far to meet the original French objectives. They also go much of the way to undermining the British Government's long-standing objections to joining the exchange rate mechanism of the EMS, as the Chancellor was sharply reminded by his fellow-ministers. The argument that the time is not ripe is beginning to look decidedly threadbare.

Both political and economic circumstances are as favourable for joining the Exchange Rate Mechanism as they are ever likely to be. With the election just behind it, the Government now has the same sort of honeymoon as when it decided to end exchange controls. Furthermore, the UK enjoyed a devaluation of about 25 per cent against the EMS currencies between July 1985 and the end of 1986, a devaluation that was not inflationary because of the fall in commodity prices and the dollar during that period.

Meanwhile, the members of the system have not been idle. The changes in the system that were announced over the weekend, following the meeting of the European Community's Finance Ministers in Denmark, seem likely to facilitate a more co-operative response to speculative attacks on the parities. This last is a feature of particular importance to a country like the UK, determined to maintain freedom from exchange controls. Further development of the system is not merely possible, but probable. Without full participation of the UK in danger of having to adapt to a monetary system in

whose development it has had little say.

The one purely conjunctural consideration against joining the mechanism is the weakness of the dollar. Historically, such weakness has been associated with upward pressure on the DM, which could mean that a realignment is in prospect, not perhaps the best introduction for a new participant.

If the opportunity is right, what of the principle? Membership of the Exchange Rate Mechanism implies a willingness to depreciate only as a last resort. For countries with standards are lower than they should be. This will make it difficult for ministers to avoid facing up to the issue of whether their formula for selling off large unreconstructed monopolies was correct in the past or appropriate in the case of electricity.

In addition, many backbenchers have been showing increasing anxiety that the largest privatisation project of them all, should be combined with a serious effort to promote competition.

Such an approach would risk re-generating inflation. The right policy is to ensure real wage flexibility through labour market policies and nominal wage targets whose credibility will then influence the behaviour of private decision-makers.

With the passing of monetary targets, an important element of the strategy has been lost.

At present, the only feasible medium-term nominal anchor for the Government appears to be the exchange rate. By joining the Exchange Rate Mechanism, the credibility of the clearly-enunciated commitment by the Prime Minister would be combined with the credibility of the Bundesbank's goal of non-inflationary monetary policy. The two together might even affect British wage bargaining though to do so, it should be noted, the commitment would have to be virtually unalterable (parties except in the face of differential shocks like changes in the world price of oil).

While joining the Exchange Rate Mechanism of the EMS cannot be the whole solution to the Government's problem of formulating a credible medium-term macroeconomic policy, it has to be part of that solution. The UK has wavered on the brink long enough.

Similar arguments were used by Mr Peter Walker, the previous energy secretary, to support his decision to privatise British Gas as a whole, without even introducing a new face into the boardroom. The same case will doubtless be put at today's meeting for changing as little as possible in the electricity industry except its ownership.

It may prevail. Mrs Thatcher herself will be anxious to keep up the momentum of her programme of asset sales, which has proved spectacularly successful in promoting popular capitalism. She may be impatient of ambitious schemes which would require most of the sale to be postponed until the middle of the next decade. Mr

America, the US Secretary of the Treasury, has raised many eyebrows since it was revealed last week at the Frankfurt Motor Show.

The proposed collaboration is just as far-reaching as many of the Japanese alliances forged in recent years in a wide range of industries, often by much weaker western manufacturers. It would involve the joint development and production of van, Europe's largest and most-needed cost savers. Mitsubishi would get new access to vital European distribution channels, while Daimler might be provided with access to Mitsubishi's strong dealer network in Japan in order to expand its sales of both commercial vehicles and cars.

Hard on the heels of the announcement, the head of Iveco, one of Daimler's prime European competitors in commercial vehicles, unleashed a bitter public attack on the planned deal. He argued that it would be harmful not just to Iveco, but to Europe as a whole. Not only should the German company be seeking a European partner instead of a Japanese one, he said, but its alliance with Mitsubishi would leave other European commercial vehicle makers with no option but to follow suit, and import technology, components and possibly even built-up vehicles from Japan. At a time of severe overcapacity in Europe, such a deal was doubly inappropriate.

In one sense the Daimler plans are merely the latest phase in a process that is already under way in the European light truck industry. Volkswagen plans soon to start making Toyota-designed pick-up trucks in West Germany. The German Motor Corp, Bedford, van subsidiary in Britain, will live operate as the junior partner in a joint venture with Isuzu of Japan.

From a managerial point of view, regardless of political considerations, Daimler's choice of partner is entirely logical. Mitsubishi possesses cost advantages in light commercial



Privatising
ELECTRICITY

Politics at odds with principle

Cecil Parkinson, the current energy secretary, though committed in principle to the idea of competition, still feels it will prove difficult to produce quick results in his first job after political eclipse. Mr Nigel Lawson, the Chancellor, championed the cause of competition when he was energy secretary, and has acknowledged the case for treating electricity differently from gas. On the other hand, he must now consider the £10bn to £15bn inflow of cash to the Treasury from an early sale of electricity. His present financial strategy envisages a privatisation programme of £5bn a year, about equal to his entire public sector borrowing requirement.

Free market ideals and the forces of political opportunity may therefore stand squarely opposed. The conflict is represented in Whitehall's quaint phrase as "a discussion about timing". Because of the special characteristics of Britain's electricity industry it drives to the very centre of the Government's free enterprise philosophy and presents an important political dilemma.

This is neatly illustrated by

an idea now being discussed within a major anti-lobby bank for financing a privately-owned power station on the south coast of England. It envisages a large coal-fired plant built by a foreign company, on a turnkey contract, possibly using imported turbine generators and certainly burning foreign coal, perhaps from South Africa.

The bank's cost of capital would be about 3 percentage points higher than that enjoyed by the Central Electricity Generating Board which borrows on fine terms from the Government. But the bank would hope to more than make up for this by cutting construction costs, importing cheap equipment and cheap coal.

The question for ministers is not whether this is possible, but whether they have the stomach to put it to the test at a time when UK employment is still close to 3m. More generally, their difficulty is that about 90 per cent of electricity bills reflect the cost of generation, of which about half is the cost of coal.

Since British Coal sells most of its output to the CEBG at an average of 548 per tonne, about twice the international spot market price, a privatised industry could hope for major potential savings, even though

it could not buy long term energy supplies at spot prices. Indeed, the CEBG says that if it were allowed to abandon its special agreement with British Coal and import as much as it wanted,

A saving of this size would be almost equal to the board's total manpower costs; it exceeds the whole of last year's capital spending, and would have doubled its trading profit. Alternatively, it could have financed a cut in electricity prices of about 7 per cent. By contrast a 10 per cent reduction in the board's manpower costs would cut the cost of electricity by only about 1 per cent. In a privatised industry most of the benefit would probably go into profits, because electricity only makes a 3 per cent real return on assets at present, very low by private sector standards.

The privatisation of electricity therefore forces the issue of open markets and free trade much more brutally than in the case of British Gas which was more profitable and remains largely insulated from the pressures of foreign competition.

However, the Prime Minister's policy towards coal imports has been notably cautious. She is anxious to avoid provoking the miners' leaders, so long as Sir Robert Basden, British Coal's chairman, continues to close pits quietly.

Nor would Mrs Thatcher be enthusiastic about the idea of foreign companies building power stations on British soil, while machine shops remain idle in the North East.

So the first broad question for today's meeting is whether a plan to sell off electricity in one Parliament could be putting the cart before the horse. Opening up the markets for coal and for power station equipment could bring substantial long term benefits to electricity consumers. But unless this is done, a change in the ownership of the industry would be unlikely to make much difference to its costs.

Essentially, a sale in one Parliament requires a corporatist solution. The barons and knights of the industry would put their heads in exchange for an oath of allegiance to the different way in which privatised monopolies can be regulated. The simplest version of this corporatist solution would be to sell the CEBG as it stands, controlling all power generation and the transmission grid south of Scotland, and to roll the 12 area distribution boards

into one holding company loosely based on the present Electricity Council. This is what the CEBG wants. A variation, urged by the Electricity Council, would be to remove control of the high voltage transmission grid from the CEBG and give it to the new distribution company. Some people claim this variation would establish conditions for new competition (although it would not actually create any), by allowing the distribution company to compete with the CEBG in building power stations.

The "free market" alternatives all involve permutations of the three basic sectors of the industry: the power stations, the national transmission grid and the area distribution networks. The most radical option would be to recognise the power stations into five competing companies to set up a separate company to run the grid, and to consolidate the twelve private distribution companies into groups, responsible for selling electricity.

These distribution companies would be subject to regulation controlling the price of power and making them responsible for meeting all demands. They would be free to use the grid to buy power from the cheapest source. In this model, the grid might be jointly owned by the distribution companies or even by the distributors and generators together.

An embarrassing difficulty for Ministers who might favour breaking up the CEBG's generating activities is that the board has spent the last five years busily dismantling the five regional divisions which could have formed the basis for a break-up.

A compromise which could find favour with the government would be to allow the CEBG to keep all its power stations and to operate the grid, but to transfer ownership of the grid to a holding company jointly owned by the board and the distribution companies. The idea would be to ensure fair play for any new competitors in power generation.

However, the argument between free marketers and those in favour of a privatised status quo is complicated by three additional factors.

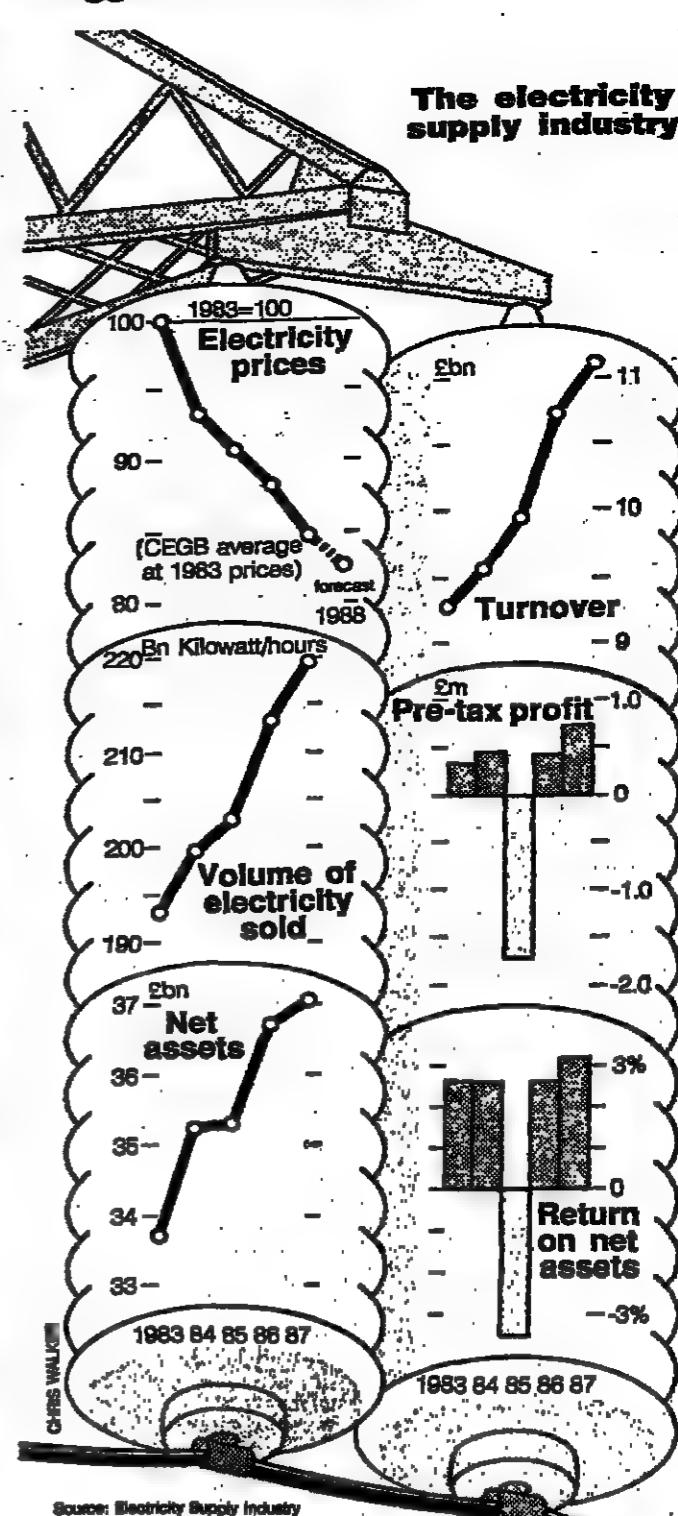
• The uncertain future of nuclear power in a privatised industry. The Government wants a nuclear programme for strategic reasons, but the risks might be too high for the private sector.

• The significant operating economies available to the CEBG from running its power stations and the national grid as an integrated whole.

• The demands of security, which require that somebody, perhaps like the US's reliability councils, must be given responsibility for keeping the lights on in the short term and for ensuring that enough power stations are built to meet future demand.

These questions will be discussed in greater detail in later articles in our series, which will examine the private sector solutions adopted in the US and other countries, and the different ways in which privatised monopolies can be regulated.

The simplest version of the corporatist solution would be to sell the CEBG as it stands, controlling all power generation and the transmission grid south of Scotland, and to roll the 12 area distribution boards



Source: Electricity Supply Industry

there will be strong arguments for a gradual evolutionary approach.

For example, the CEBG's centralised "merit order" system for running power stations with the lowest marginal costs is acknowledged by peak times when costs are highest.

Since the number of new power stations required will be determined by peak demand rather than average demand, innovative schemes could make a useful dent in the £50bn which some studies suggest may be needed for new plant by the year 2010. The case for privatisation is essentially that until it is tried, no one can tell what good ideas the market will bring forward. But it follows that the benefits, as well as the dangers, are difficult to quantify.

These difficulties will certainly be compounded if the Government decides to rush the job. It can take 18 years to build a single power station, so a decade might not seem excessive to reorganise the whole industry.

On the other hand, there must be a strong presumption that in spite of its technical excellence, the CEBG's monopoly position has allowed it to be fairly profligate as a capital spender, with an inherent bias towards building more and bigger power stations. A reorganisation which gave area distribution companies freedom to buy power from the cheapest source and to set prices (within limits) might therefore yield significant economies for the nation. This is because distribution companies could be given

a direct financial incentive to promote conservation, demand management and other schemes to minimise electricity usage at peak times when costs are highest.

These questions will be discussed in greater detail in later articles in our series, which will examine the private sector solutions adopted in the US and other countries, and the different ways in which privatised monopolies can be regulated.

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Observer

JERUSALEM, SEPTEMBER 13 Fighting the Cinema Wars

NOT YET 40 years old, and by most counts Israel has already fought at least five full-scale wars with its Arab neighbours, from the 1948 war of independence to the 1982-83 Lebanon war.

But few of these bloody conflicts have raised emotions to the levels being seen in Jerusalem during the current "Cinema Wars". Pitting newly militant, ultra-Orthodox Jews against bored, deflated secular youth, the growing violence has prompted Teddy Kollek, Jerusalem's veteran mayor, to give a warning that the struggle of Jew against Jew is likely to overshadow the better known Arab/Jewish and Ashkenazi/Sephardi clashes of the past.

Such risks apply not only to western collaboration with Japan but also to alliances within the west. A few days ago a researcher into 15 collaborative ventures between European companies and most of them within official EEC programmes, warned that many of them would soon face severe management problems, partly because some partners feel that their allies are driving them quite intentionally into irrelevant and wasteful fields.

Other forms of "hidden agenda" can involve the steady erosion of a partner's core competitiveness, even though this is strictly excluded from the official terms of the collaboration agreement. One leading European manufacturer with an alliance limited to technology-sharing and component supply recently had to stop its Japanese partner from visiting its European customers, and could not be invaluable in any future independent assault on the market.

One side-effect of the Daimler-Mitsubishi van alliance, for instance, could well be an acceleration of the Japanese company's understanding and penetration of car distribution in Europe. Both sides will have to be acutely aware of such considerations, just as they will need to ensure that the intended reciprocity of the deal really does result in a strengthening of Daimler's position in the Japanese market.

Looking for a good meal in Jerusalem? Eschew the fancy hotel restaurants and pricey establishments masquerading as centres of European government and other exclusively religious neighbourhoods have not dispensed with their own sympathies. The fact that the vast majority of the Haredim, as they are known, disavow allegiance to the state and are exempted from the compulsory military service which forms such an integral aspect of Israeli life does not detract them from the guardians of law and order.

But what alarms the secular majority of Israelis is not just the way in which the Haredim appear determined to destroy the delicate status quo which has governed relations between the two communities since David Ben-Gurion's day. It is the way they are breeding much faster than any other section of society, threatening to drown the 2.5 children in a tide of black-coated lookalikes.

Drive along any main road near their outwardly expanding districts and the evidence of ultra-Orthodox fecundity is striking. Eight children trailing Mum and Dad (she in a wig to cover her shaved head, he in a handsome fur-trimmed black hat which has cost him a great

deal of money and is hell to wear in mid-summer) is by no means an uncommon sight.

The pitched battles which have erupted each weekend in cinemas and those few, brave restaurants which choose to stay open nominally about the requirement to observe the Sabbath. In reality, they are about diametrically opposing visions of a country whose character is still being forged.

Men and Matters

Conducted by Professor Ephraim Ya'ar, Dean of Social Sciences at Tel Aviv University.

Rock bottom

The Rabbinate is not held in particularly high esteem in Israel, judging by a recent survey conducted by Tel Aviv University. But at least it comes in second place in the much criticised Fourth Estate, being savaged in a biting pop chartbuster "Little Journalist" by singer Arik Einstein.

In a survey of 11 social groups considered to be "bedrock of democracy" the media came last in the public regard. Just above the tenth rung were the political parties while the all-powerful Rabbis controlling many aspects of personal life in Israel were somewhere in the middle.

Conducted by Professor Ephraim Ya'ar, Dean of Social Sciences at Tel Aviv University, the poll confirmed the impregnable position that the Israeli armed forces still retain at home in spite of their much publicised ailments since the Lebanon war.

A summer storm blew last month over a report that an alarming number of recently retired officers, above the rank of major—men pencilled in for a key fighting role in the event of war—had emigrated from Israel. But for all the heart-searching over arguments that the Israel Defence Forces are not what they were, public confidence appears unshaken.

In the six-month interval between this poll of 1,200 Israelis and its predecessor, Prof. Ya'ar notes that the biggest drops in standing have been on the part of the government (by 11 per cent) and Parliament (10 per cent).

LEADING ASSOCIATES of Mr Turgut Ozal, Turkey's Prime Minister, have been claiming for years that his Motherland Party will stay in power until the end of the century. Until a week ago their claim sounded more plucky than plausible.

A week ago, however, the Turkish electorate gave Mr Ozal a signal he hardly dared hope for. A referendum on whether to lift the ban on the holding of public office by senior party leaders from the period before the 1980 military coup produced the tiniest of majorities in favour of its removal (less than 0.2 per cent, or about 80,000 votes in 23m).

Mr Ozal has thus won on two counts. He can claim to have removed an undemocratic shadow over Turkey's ambition to join the European Community while being assured, at the same time, that popular support for the pre-coup leaders is limited.

The ban was imposed by the military which ruled Turkey from 1980 to 1983. They then handed over power to Mr Ozal after secretly supervised elections. The referendum was thus a trial of strength between the new civilian leaders and those of the pre-coup days such as Mr Suleyman Demirel, a former Prime Minister.

Mr Ozal and his followers now believe they have won victory in the general election called for November. That would carry the Motherland Government back to power in 1992, completing both Mr Ozal's structural reforms of the economy and the reshaped political system which he dominates.

Mr Ozal, a shrewd, tough, and lucky politician has come a long way quickly. In 1979 he was a civil servant appointed to head the country's stabilisation programme backed by the International Monetary Fund after a balance of payments crisis. After the 1980 coup, he was the military's choice as deputy Prime Minister for economic affairs.

Three years later, having broken with the military Government in 1983 and spent a year in the wilderness, he set up his own party. He was joined by others from the army to contest elections which, as the only truly civilian party in the race, he won with a handsome majority.

Throughout the 1980s Mr Ozal's overriding aim has been to turn Turkey into a semi-industrialised, protectionist economy where gross domestic product per capita is around \$1,057 a year (about a third of the level of Greece and half the Portuguese figure), into a powerful trading and industrial state. He has cut Government subsidies and boosted exports with a realistic exchange rate policy.

Last year Turkey's gross national product grew by 8 per

Those who ran Turkey before the military coup are free to contest the coming election, David Barchard reports.

Mr Ozal takes the high ground

cent and growth this year is expected to be above 6 per cent, despite grumbling by industrialists about chronic inflation (around 40 per cent annually).

High interest rates (still over 70 per cent not to mention borrowing costs) and the resultant poor investment climate.

However, Mr Ozal's modernising drive has come up against social and political obstacles.

His enthusiasm for markets, international trade and competition contrasts with the faith of most of his compatriots in a protected domestic market, state direction of industry, import substitution and self-sufficiency.

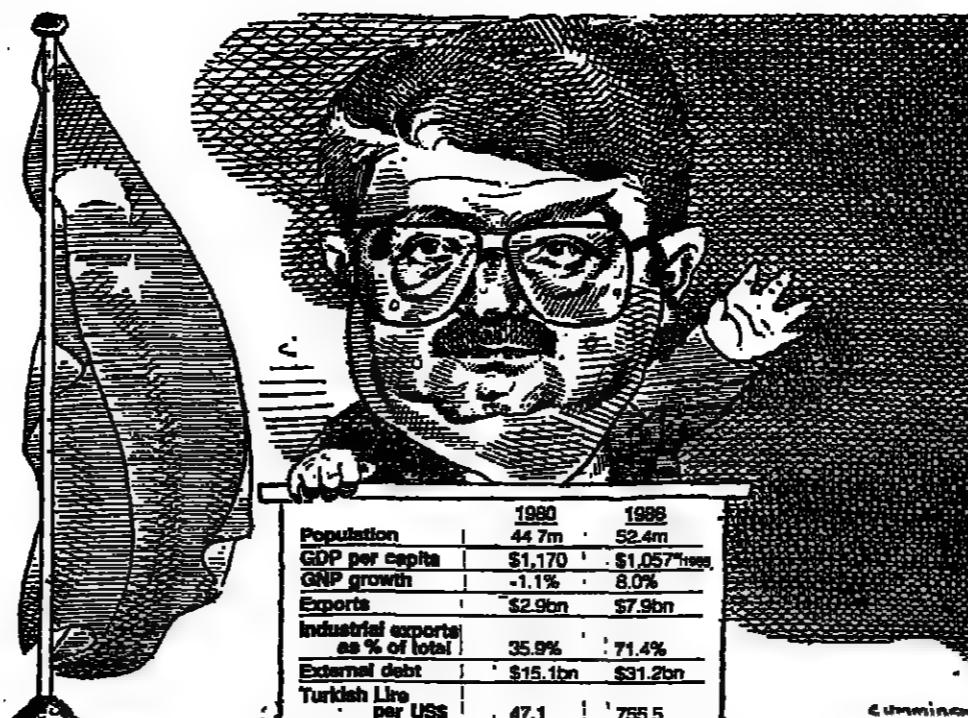
In Turkey this view is shared by such diverse figures as senior military leaders, top industrialists, farmers and intellectuals.

Even today, the country's two major industrial groups, Koc and Sabanci, export only about 6 per cent of annual turnover.

Mr Ozal is not a businessman's Prime Minister in the sense in which the rest of the world often assumes, though he does have the support of the smaller export-oriented companies which have flourished since 1980.

But the most serious doubts about Mr Ozal's staying power are strictly political. He may have a huge parliamentary majority—249 seats out of 400—but what people have asked, will happen if Mr Ozal and the Motherland Party win the elections and politicians ousted by the military come back?

In fact the parties themselves never really disappeared—they have



Mr Turgut Ozal: aiming to turn Turkey into a powerful industrial state

were renamed and have gradually shaken off a range of legal handicaps, including limited access to the state broadcasting system.

As for the leaders, it remains unclear how effective they will prove in contesting the election. The most important, without doubt, is Mr Demirel, the veteran centre-right Premier of the military deposed in 1980.

The challenge from the Social Democrats, now split into two parties, is less serious, even though in the 1970s, they were Turkey's largest political force.

However, Mr Demirel is widely regarded as the natural leader of the centrist constituency which includes the Nationalist Party. He has created his own

He has a nationwide network of local connections built up over three decades. Until the referendum it looked as if there was not room enough in Turkey for both Mr Ozal and Mr Demirel.

Mr Demirel's policy stance, though non-Socialist, makes direct appeal to the voters to return to the dirigiste, protectionist trade regime which brought rapid improvements in living standards to farmers and many other social groups, albeit at the cost of periodic balance of payments crises.

Thus the battle to keep Mr Demirel from returning looked at first sight, an unequal contest. The Motherland Party is new and consists of politicians who were mostly unknowns in 1983, and is out of favour with both Mr Demirel and the military. Moreover, it is a party of different wings which have

little in common.

In Istanbul it is a party of exporters and bankers.

In rural Anatolia, it is a coalition of right-wing traditionalists,

most of them deeply religious.

Most leading party figures are

still be identified in terms of

their origins in either the neo-

Fascist or the Islamic Funda-

mentalist parties of the 1980s.

The dispute between these

two wings of the party still

smoulders and occasionally

erupts in the Turkish press,

which largely reflects the views

of the westernised urban

middle class and is deeply

suspicious of the party's funda-

mentalist leadership.

Most particularly, their

doubts focus on the Motherland

Party's second most powerful

figure after Mr Ozal, the con-

stituency organiser, Mr Mehmet

Kecceler. A capable but

deeply committed funda-

mentalist, he has outwitted the

liberals in the party on many occasions, leading to

accusations that the party is a

Trojan horse for Islamic

movements.

Mr Kecceler is none the less

among the architects of the

party's electoral success. This

has turned upon dubious

tactics, such as the use of local

officials during the referendum to

signal to villagers which way

the vote should go.

Opponents of the Government

also claim that Turkish politics

have become blatantly mercen-

ary, with local communities

offered substantial inducements

to vote the Government's way.

Such accusations, however,

are hardly new in Turkey, although they do seem to be more widespread than in the past. What is novel is the Motherland Party's acute grasp of how to channel funds and incentives to maximum political effect.

'Mr Demirel and the other opposition leaders have a picture of Turkey in their heads that is 20 years out of date,' says one academic who advises the Government. 'They have completely failed to understand the scope of the public works programme we have got under way in the last few years. These schemes have had a major and deliberate social impact.'

In the pursuit of power, Mr Ozal has also been willing to compromise. He is not, for instance, a monetarist, as it often claimed, nor is he in the fullest sense a free trader. For example, the volume of currency in circulation this year jumped by 59 per cent between January and July.

The budget deficit in the first seven months of this year is a record TL 1.075bn (\$725m).

This seems to be the outcome of a conscious trade-off. Mr Ozal believes in soft landings and has been careful to make sure that the social and political effects of his policies are not too disruptive.

Although the official indica-

tors are far from trustworthy,

unemployment also seems to

have declined over the last two

years, despite the addition of

nearly half a million new

workers to the economy each

year. Wages for many workers

are hardly new in Turkey, al-

though they do seem to be more

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Mr Ozal has probably been able to pursue these relatively relaxed policies because he enjoys the endorsement of the IMF.

The World Bank, both of which

seem to believe that if

they can traverse the next

few years successfully, there is

a prospect of a very much

improved Turkish economic

performance in the 1990s.

Mr Ozal would probably like

to use a second term going

down the path to economic

development attempted by

Singapore, Taiwan, and South

Korea. His critics say such a

strategy would harm democracy

and point to the way the

Government has, if anything,

expanded the sweeping legal

privileges it inherited from the

military.

Mr Ozal's defenders point out

that political liberties in Turkey

have, in practice, grown steadily

over the four years since he

took office. They also argue that

unless Turkey remains demo-

cratic and enjoys rapid econo-

mic growth, Mr Ozal's great

strategy of joining the Euro-

pean Community around the

turn of the century will be im-

possible. Despite the Islamic

colouring of the Motherland

Party, Turkey's integration into

Europe as a strong industrial-

ised country is the goal which

drives policy in all other areas.

Lombard

Bad statistics worse than none

By Samuel Brittan

THERE IS no longer any novelty in saying that a country, like a patient, does not feel good if it keeps on taking its medicine. Such allocation would not solve the problems of the dollar, but would take away a little of the edge and hysteria.

We now have, however, an even worse form of hypochondria: taking the temperature with a cracked thermometer. Everyone knows that official economic statistics are imperfect and approximate. The trouble arises when they are biased in particular directions. Such bias leads governments to mistake policies which harm their own and other countries.

Market commentators are for instance obsessed with both the US and the British trade figures. For 1986 a UK annual deficit of more than £1bn was originally estimated. It was then revised downwards to nearly zero and has now been revised back up again to £1bn.

The official forecast for 1987 is for a UK current deficit of £21bn. This is in line with market estimates, but regarded as bad news because, a few months ago, trade was in the black.

These preoccupations have always been difficult to reconcile with the US unemployment figures, which show a fall in every single year since the recession bottom of 1982, and without the administrative and statistical changes which have made the British figures so controversial.

The US has been a particularly large US fall so far in 1987. The unemployment percentage of this August was down to 5.7. This compares with the December 1982 percentage of 10.8 and indeed is now no higher than in the late 1970s. To European eyes it is pretty clear that so far from experiencing slow growth, the American economy has been growing at above capacity rates, which are not tenable in the longer term.

The sceptics on slow growth have been confirmed by recent upward revisions to American GDP figures which now show that real growth was 2.9 to 3 per cent p.a. in 1985 and 1986. It has increased to 3.1 per cent in the first half of 1987.

The US has plenty of problems. Youth unemployment is 16 per cent and black unemployment over 11%. Moreover, the standard of living of most workers has for a variety of reasons not risen in line with the growth of total output. But there are no problems of recession or deficient growth, contrary to what hasty short-term readings have from time to time suggested.

Economic malaise

In fact any likely figure for the UK payments deficit is warped by the so-called 'balance of payments' item, which is indomitable or outdoes which the statisticians are unable to allocate and which amounted last year to plus £11.7bn. If even a fraction of this is due to current receipts, the so-called payments deficit is eliminated completely.

The monthly US trade figures which have again sent shock waves through the market are far more misleading than the British. Both countries are also affected by the black hole on the world economy about which I have often written. That is the statistical discrepancy which causes total deficits to exceed the total surpluses by \$50bn to \$100bn per annum for the world as a whole.</

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FINANCIAL TIMES

Monday September 14 1987

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Gordon Crabb on
Wall Street

Looking for iguanas and dead cats

THERE WAS once an iguana called Greenspan. It belonged to Mr John Granville, the stock market guru much given to flamboyant public gestures as well as dramatic buy or sell signals which in the early 1980s were prone to pull round the Dow average as if on a lead.

The spiny-backed lizard made its appearance on a financial platform during the time when its owner was a Wall Street economist.

Not much point to the gimmick. Mr Granville now acknowledges. He just fell like getting a rise out of Alan Greenspan whom, in his new role as chief gamekeeper at the Federal Reserve, the perennial outsider these days accords a fair bit of respect.

I think he's going to do a credible job. In some ways he has a better degree of flexibility than Paul Volcker. He can move, he can bend...like an iguana, maybe. Less than a month into his job at the Fed, Mr Greenspan delivered a sharp jolt to the soft, underrated of Wall Street's bond and stock markets with an upward push in the discount rate at a point when buyers were already running scared.

In the seven sessions before, the Dow had already shed some 4.5 per cent and proceeded to lose 2 per cent more. The resultant alarm turned more than usual attention on the variegated array of backwoodsmen who collectively, in so far as they group at all, form the newsletter investment advisory industry.

Numbering in the several hundreds and usually working alone, they feed their subscriber clients with their gleanings and ruminations about where things might be heading. In a business which is out to predict, they are known probably above everything for their own unpredictability.

As the market began to revive by the middle of last week, the clamour for opinions did not subside. Was this the dreaded 'dead cat bounce' at the end of a sleek five-year life, or could everyone start to breathe more easily again?

A straw poll of 25 newsletter publishers produced 11 who were more or less confident that stocks would finish 1987 higher than now, 10 who believed the setbacks which started September were going to mark the start of rather more than a brief correction, and four whose responses were heavily hedged as to be unclassifiable in those rough terms.

Mr Granville, operating out of Kansas City, has always called the market more clearly than most. Clearly, but many times wrongly. He fell out of favour for being insistently bearish through much of the summer. He made it all right, so what is he saying now? "I've just sent out a major buy signal. In the next two to three weeks we will be building what the technicians call a base. It looks good for the fourth quarter and still higher next year. Robert Prechter says he sees 3,600 on the Dow. I see nothing against that." What many would see, if nothing else, is Mr Granville's previously less than characteristic nod in the direction of anyone eminent in the industry.

Mr Prechter, the cult proponent of the Elliott Wave theory, has been saying from his base in Gainesville, Georgia, that in any event a drop back to the 2,300s is the deepest sell-off allowed at this point in the wave development. And in Santa Monica, California, Mr Al Frank is convinced of a 'serious decline of 10 to 15 per cent' around the year-end before the top is reached.

But in Manhattan's upper east side, Mr Eliot Janeway's thoughts are more towards a property project of his in South Carolina. The stock market terrifies him right now.

The investment letter pundits charge a modest few hundred dollars a year for their basic service, to a subscriber list numbering typically in the low thousands. These initial offerings of their views are getting wider distribution, though, in an expanding secondary market of newsletters about newsletters.

Transatlantic passengers on TWA, flicking through their flight magazine, are solicited by Mr Joseph Sugarman, an Illinois mail order magnate, to try a chocolate diet, a bipolar electrostatic home precipitator, or even a \$60 mansion in Malibu. All are in the section of the approval - as is his JSA&A Advisory, an eight-page round-up which he suggests could be described as the 'USA Today of the financial newsletters.'

Its findings, drawn earlier in the month from the 125 investment letters which Mr Daniel Iannotti, the editor, says it receives are that 'more have been bearish than bullish, which means that's bullish. The gurus are wrong most of the time.'

Used scrip is, however, not eligible for refund.

Research associate: Rikka Nakamura

Reporters defy Taiwan with Chinese trip

BY BOB KING IN TAIPEI

TWO TAIWANESE journalists, in clear defiance of Taiwan's policy of no contacts with Peking, yesterday prepared to set out on a multi-city reporting trip through China.

The Independence Evening Post, an iconoclastic Taipei newspaper, has dispatched two of its leading political reporters via Tokyo to China, where they plan to write a series of reports on social conditions from mainland cities such as Peking, Nanjing, Hangzhou and Guangzhou.

The assignment of the two journalists, Li Yung-teh and Hsu Li, would, at least for the moment, violate regulations that prohibit Taiwanese citizens from visiting China, which Taiwan considers to be temporarily under the control of 'bandits and usurpers.' It would also represent the first visit by Taiwanese

journalists to the mainland since 1949.

Not surprisingly, Taiwan's Government Information Office, which is charged with overseeing local and foreign reporters, has denied that the two paper recall the reporters or face penalties such as the withdrawal of the right to send reporters overseas while Li and Hsu remain out of bounds.

The Post, however, announced on Saturday that the reporters would go ahead with their plans, and Japan's Jiji Press reported yesterday that both journalists had received Chinese visas and would leave for Peking today.

Such unprecedented daring by the Post probably represents a test of Taiwan's stated intention to allow its residents to visit mainland China after nearly 40 years of officially-enforced separation. The ministry of interior said last week that it soon would

announce regulations covering such visits, and political insiders say that the regulations have already been significantly eased to allow visits to China by virtually anyone in Taiwan who continues to prohibit visits to Taiwan by people from the mainland.

However, like the formation of the Democratic Progressive Party last year while new political parties were still technically illegal, the reporters' visit to China flouts convention and presents China with an interesting problem.

By travelling openly through and reporting from major Chinese cities, Li and Hsu will, for example, be openly testing Peking's sincerity regarding its professions of friendship with the people of Taiwan.

The visits will also raise interesting questions of relations between Taiwan and the mainland, which have remained separated ever since the Nationalist Government of Chiang Kai-shek fled to Taiwan in the wake of the 1949 Communist victory in China's civil war.

Indirect trade and personal contacts have for years been the norm between the two nominally-warring sides. However, since the lifting of martial law in Taiwan two months ago, parliamentarians and private citizens alike have been calling for a relaxation of restrictions on contacts with China, while insisting that future contacts not involve political or ideological capitulation.

The government appears to be moving towards a more tolerant stance on business and humanitarian contacts: a position welcomed by many Taiwanese, who have for years been curious about their cousins across the Taiwan Straits.

Sony electronics group may launch bid for CBS Records

BY GORDON CRABB IN NEW YORK

BRUCE SPRINGSTEEN may like to tell the listening millions he was 'Born in the USA,' but the New Jersey rock star - if not as homely as mom and apple pie - then certainly living up to his all-American Lewis and Budweiser 'leitmotif' - could just find himself with Japanese masters.

CBS Records, the label to which he is signed, is being courted by Sony, the Tokyo-based electronics company which brought the world the Walkman. Its parent, the CBS television network, said yesterday it had received an inquiry from Sony exploring the possibility of purchase of all or part of CBS Records, and would 'consider and respond in due course.'

Wall Street analysts believe the division would go for \$1.25bn or upwards if a deal was found to the liking of Mr Larry Tisch, the cost-slashing finan-

cier who fought his way to boardroom dominance at CBS a year ago. He has already raised about the same amount through the sale of smaller units like book and music publishing, and CBS's magazine division which went to managers in July for \$650m.

Mr Tisch has so far hung on to the recording side, though, in the face of offers from bidders rumoured to have included its own management and Walt Disney as well as Sony itself, although yesterday brought the first confirmation of interest on the part of the Japanese company.

Although CBS stressed that 'no negotiations are now under way to sell all or a part of the CBS Records group,' the news sent its shares soaring 9½% on the New York Stock Exchange to \$208½.

CBS earned \$109m from the

records business last year on sales of \$1.1bn - its gallery of star names also includes the hysteria-inducing Michael Jackson. Analysts linked Sony's interest to its lead in musical hardware - notably the digital audio tape (DAT) system. A fortnight ago it set the European audio industry alight by announcing that it would introduce the ultra-high quality system there in October.

This would be the first test of the impact that it is feared that DAT will have on copyright and disc revenues through increased home taping. Sony has been anxious to allay these anxieties, and the approach to CBS could go some way to help.

Other top Japanese audio-electronics groups now working on DAT have long-standing cooperation or venture agreements with companies in the recorded entertainment sector.

Guinness Peat spurns Maxwell

BY TERRY POVEY IN LONDON

MRI ROBERT MAXWELL'S attempts to play white knight for the Guinness Peat Group have been spurned by the UK banking and fund management company's two largest shareholders.

New Zealand's Equity Corp. has firmly rejected its 110p-a-share offer to buy its 33.6 per cent stake and to abandon its £33m contested bid for GPC. Lord Klessin, the group's founder, with a 5.6 per cent holding, has also turned down a similar offer from Mr Maxwell, who has taken a very small stake in GPG.

The Maxwell approach is not the only one to have been made to - and rejected by - GPG's major shareholder. The Belberg Brothers, Vancouver-based financiers, recently made their pitch via Barings, the merchant car-

rier who fought his way to boardroom dominance at CBS a year ago. He has already raised about the same amount through the sale of smaller units like book and music publishing, and CBS's magazine division which went to managers in July for \$650m.

Mr Peter Hunt, of Equity Corp., was adamant yesterday that his group's stake was not up for sale. 'We do not welcome these approaches and are committed to remain a long-term holder of Guinness Peat shares,' he said.

Mr Alastair Morton, GPG's chairman, said that Mr Maxwell's involvement 'doesn't cause me any problems. I certainly get on better with him than I do with Equity Corp. and he is only one of the great many approaches we have received.'

Equity Corp. has spent £18.5m building up its share in GPG, an average cost per share of just over 108½. Offerings of up to 110p will be eligible to raise its cash offer to the level of the highest price paid.

On Friday, GPG's shares closed down 1p at 111p.

FT group clerks to be sacked

BY RAYMOND SNODDY IN LONDON

TWO JUNIOR employees of the Financial Times group will today be dismissed following allegations that they used published material prior to its distribution to the general public to deal in shares.

The two young men, clerks in the Financial Times electronic share service, gained access to copies of the Investors Chronicle on Thursday afternoon, the day before publication, and acted on 'penny share tips' in the weekly magazine.

Ms Gillian O'Connor, editor of Investors Chronicle, noticed that the prices of shares tipped by the magazine were moving in advance of publication and called in London Stock Exchange investigators.

They identified the two employees, believed to be in their 20s, who worked in the same building as the Investors Chronicle. They were able to see the magazine because copies are sent from the printers to the Investors Chronicle at the same time as they are distributed to wholesalers.

The total sum of money involved is believed to have been £10,000 but because the two were buying penny shares - low

price shares that investors buy for their recovery potential - it was enough to move share prices.

Mr Frank Barlow, chief executive of the Financial Times, said yesterday: 'There was no way that these two had access to any inside information on any share in which they dealt so therefore it was not insider trading.'

The FT chief executive added: 'These young men obviously made errors of judgment and transgressed the FT's code of practice and for that reason they will have to go.'

Mr Barlow said last night he did not believe the use of information prior to publication was illegal, however much newspapers may frown upon it.

The Financial Services Act 1986 prohibits individuals from dealing in the shares of a company if in the past six months they have been knowingly connected with that company and in possession of inside information.

Initially the two men had been given a final written warning after a disciplinary hearing last month. This action was counternacted by Mr Barlow

when he returned from holiday and reviewed the case.

As a result of the incident more explicit warnings will be given to all staff of the Financial Times and its associated business information companies.

At the moment all journalists are warned in their letter of appointment that using privileged information to deal in shares could lead to instant dismissal. Warnings for other staff have, until now, been less explicit.

In future all new staff of the group will be explicitly warned on joining the company of the dangers of misusing privileged information.

For the past few months the Financial Times has been working on a code of conduct for its journalists based on Press Council guidelines to provide further guidance on the circumstances in which journalists may not buy shares.

The code will be distributed to Financial Times journalists later this month.

The Stock Exchange declined to comment last night but all the signs were that its investigators regard the matter as a breach of FT rules rather than a case of insider dealing.

World Weather

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Alaska	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8
Antarctica	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8
Australia	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8
Austria	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8
Azerbaijan	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8
Bahrain	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-				

SECTION III

FINANCIAL TIMES SURVEY

Most sectors of the office equipment industry are expanding amid fast-changing technology, intense competition and pressure on prices. This, in turn, is bringing increased friction in an industry which has long been at the leading edge of trade battles between Japan, the US and Europe. David Thomas reports.

Optimism on most fronts

THE fast-changing office equipment industry remains in a confident mood, though the explosive growth experienced by some important sectors in the early 1980s has now faded off.

The key challenge for the rest of the decade and into the 1990s will be to spot how office workers respond to new and converging technologies.

European sales of electronic typewriters, word processors, personal computers and copiers - four products at the heart of the office automation revolution - will reach \$14.3bn in 1990, up from \$11.3bn in 1985 and a mere \$4bn in 1980, according to a recent report from Frost & Sullivan, the US-based market research consultancy.

Continually expanding markets have fostered a climate of optimism in the industry. In the UK, for example, 79 per cent of marketing executives in office equipment companies declared themselves to be "more optimistic" than six months previously, the latest report from National Business Equipment Survey found.

But the days when many managers were happy to boast that they had no idea how to use a personal computer are drawing to a close, along with other vestiges of amateurism in the office.



Office Equipment

The financial world is at the forefront of advanced office equipment applications.

Yet, not everything in the garden is rosy for the office equipment industry. The same NBES survey which reported an upsurge in optimism, also discovered pressure on order books.

For the first time since NBES started to monitor manufacturers' perception of demand in 1983, the percentage reporting "current order books have risen" has dropped from around three-quarters to two-thirds. A quarter of the industry said that current order intake has stabilised rather than grown.

Moreover, the continuing pressure on price means that growth in unit sales is ahead of revenue growth, except in copiers which is now largely a replacement market. Frost & Sullivan, for instance, is predicting that European sales of personal computers between 1985 and

1990 will more than quadruple in unit terms, but go up only 1.75 times in value.

The different segments of the industry are experiencing very different environments. Sales of photocopiers are flat, except at the very low end, which is dominated by Japanese suppliers. Revenues from photocopier sales worldwide went up only 1 per cent last year. Flat margins forced the manufacturers to chip away at production costs.

Similarly, electronic typewriter manufacturers are fighting for a slice of a smaller market. In 1986, according to a recent study of the British office equipment market by Wharton Information Systems, sales of electronic typewriters in the UK fell 11.25 per cent. Vendors' and dealers' revenues were hit further by an erosion

of prices and a move towards the purchase of cheaper, more compact machines.

Demand for electronic typewriters has been squeezed by the word processing and personal computer revolutions. However, smaller companies still rely on them heavily, although the need for better quality document presentation and greater efficiencies in the office is beginning to push users towards more sophisticated solutions.

Sales of dedicated word processors began to fall in 1986 and were down a further 24 per cent in the UK last year, according to Wharton. Observers believe that most word processors suffer from being relatively expensive and lacking compatibility with other office systems, such

as personal computers and laser printers.

Nevertheless, Wharton argues that dedicated word processors will continue to have a place in the market because they improve typist productivity more than any alternative. Wharton adds: "The majority of word processor sales are now to existing customers who do not wish to face total change in their office automation programmes which would involve re-training their staff, and re-keying all their information."

However, there have also been great success stories in the office in recent years. The explosive demand for facsimile equipment, still continuing unabated, is one such tale. There are now some 2m fax users worldwide and more and more office workers are able to give a

positive answer to the recently exotic question: "Does your office have a fax?"

But the personal computer has undoubtedly been the greatest success story of the decade. Frost & Sullivan is predicting European sales of 4.1m units by 1990, up from 936,000 in 1985 and almost negligible numbers at the start of the decade.

Competition among personal computer suppliers is also becoming more intense. At the bottom end, a price war driven by low cost suppliers sourcing their machines from the Far East such as Amstrad shows no sign of abating. At the higher end, the drive is on to produce ever more powerful machines - quicker, with more memory, faster graphics and more user-friendly.

Wharton argues that two main types of personal computers will continue to co-exist in offices: 16-bit machines which will remain "departmental supercalculators with a word processing capability"; and 32-bit machines, with more sophisticated operating systems, which will become mainstream corporate systems workstations.

Over the next few years, manufacturers might begin to integrate the various bits of equipment which dominate an office today. Mr David O'Brien, managing director of Rank Xerox UK, is a prophet of this trend towards integrated office systems.

He foresees a time when to-day's stand-alone equipment, such as copiers, printers, faxes, word processors and personal computers, will all be part of one network, allowing, for instance, photocopying and printing to be controlled by a worker in one part of a building but carried out remotely in another.

He argues that users will find these integrated systems more cost-effective: "Adding bits on as the requirement arises is a very expensive way of doing things."

Mr O'Brien says that integrated office systems are beginning to be installed, though he accepts that they will not become widespread for three to five years.

Meanwhile, one trend already beginning to bite is the greater integration between telecommunications and computing in the office. Many of the world's computing and telecommunications equipment giants are

CONTENTS

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Radio-paging developments; the impact of fax			

talking about - or have already clinched - joint ventures designed to bring their expertise together for tomorrow's integrated equipment.

Sophisticated value added services over the telecommunications network are now catching on after a period when their growth disappointed many observers.

Meanwhile, the intensifying competition and pressure on prices has resulted in more trade friction over office equipment, which has long been at the leading edge of the trade battles between Japan and Europe.

Japanese companies dominate many market segments, but the remaining European-based companies, such as Olivetti and Rank Xerox, are fiercely resisting further encroachment on their market share.

Complaints to the European Commission that the Japanese are dumping their products in Europe is one weapon being used by the Europeans with increasing regularity. Anti-dumping duties of 21.35 per cent were slapped on Japanese imports of electronic typewriters two years ago. The Commission followed suit with imported Japanese photocopies last year.

A new twist was added this month when Brussels launched its first anti-dumping investigation using a new law designed to stop the Japanese avoiding duties by setting up assembly-only plants in Europe. Six Japanese electronic typewriter companies with plants in Europe were named in the inquiry.

The Japanese have reacted to the pressure by seeking joint ventures and marketing alliances with the European companies. They have poured a steady stream of investment into Europe, with announcements of a new Japanese office equipment factory in Europe being made almost monthly. They have also intensified their search for local component suppliers which can meet their requirements.

National Business Equipment Survey 1987, British Office Systems Survey 1987, Wharton Information Systems, Regal House, London Road, Twickenham, Middlesex TW1 3QS. Office System Marketing and Distribution Strategy in Europe, Frost & Sullivan, 4 Grosvenor Gardens, London SW1W 0DH.

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Konica U-Bix 150Z	GOOD VALUE
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Konica U-Bix 320Z	BEST BUY
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OFFICE EQUIPMENT 2



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Photocopiers

Colour set to stir dull market

THE TROUBLE WITH the photocopier business is that its once booming 20 to 30 per cent annual growth has gone flat.

Margins on most machines are pinched tight, squeezing manufacturers into an ever-fiercer contest to lure buyers with more features and better services, even as they struggle to pare production costs. At the same time, some producers this summer risked price increases to their dealers in an effort to ease profit pressure.

This is a maturing industry, says Mrs. Monica Camahort David, an industry specialist

who follows the business for the US market research firm Dataquest in San Jose, California. There is a high degree of penetration. 1986 was not a terrific year in any sector of the market.

According to Dataquest, the world business in plain paper photocopiers, counting sales of machines as well as revenues from machine rentals, supplies and service, amounted to \$34.6bn in 1986, up 1 per cent from \$33.2bn in 1985. The US market makes up about 40 per cent of that, and Europe accounts for close to 30 percent.

The business is expected to chug along at a similar pace for several years, representing \$42.6bn in sales by 1991, according to Mrs. David.

Complicating matters in 1986 for Japanese producers, including Canon, Ricoh, Mita, Sharp, Toshiba and others, were anti-dumping duties imposed in the European Community.

To avoid duties, the Japanese have had to go to the expense of setting up or expanding European production and assembly. They also have struck joint deals and marketing alliances with the Europeans, making

friends of former competitors Mita, which builds its low-volume machines in Hong Kong for instance, now sells through Oce van der Grinten of the Netherlands, whose product line is otherwise confined to high-volume machines.

There are bright spots, however. At the very low end, the market for personal copiers, the \$700-or-so copying bins, yellow or white devices that individuals can set on the desktops of their home offices, is still active.

Japanese producers own this sector, now worth around \$300 million in the US and expected to double by 1991, according to Dataquest. Although margins are thin on the low-cost machines, sellers make a lucrative trade in the cartridges the copiers require.

Manufacturers also are struggling to ignite their business through introduction of colour photocopiers. Moving on from two-colour products giving black plus one color, for centred borders or letterheads, producers are turning to photographic thermal transfer, xerographic and other technologies to try to come up with full-color copy capability.

For the most part, though, machines brought out so far are expensive and slow. Copies cost from about 65 cents apiece to \$1.50. Even a entry announced by Canon September 10, called the Colour Laser Copier, operates at only five copies per minute. It is competitively priced at £17,000 in the UK.

This could be a new vista, a new market area for copier manufacturers, says Mr. Charles A. Peako, Jr., president of CAP International, an office equipment market research company. The business is developing very quickly in the US, he adds.

The increased use of colour monitors in office desktop computer systems is expected to drive the market. Colour is becoming a very important factor, says Peako. Business graphics, scientific applications in CAD/CAM (computer aided design and manufacturing) at the personal computer level are very strong. They are driving applications. He projects that 10,000 colour copiers worth \$163m will sell this year, jumping to 67,000 worth \$723m by 1990.

Everyone is looking for a technological breakthrough that will enhance quality, reduce cost and speed up operation. Kodak has made several tantalizing references to its development work in harnessing photographic technology in cameras, which is indicated in a new announcement an important product in the area this autumn. Kodak machines use a photosensitive film belt instead of a selenium drum common to the 'copier engines' of most other designs.

We're at the zenith as far as black and white photocopying is concerned, says Mr. Mike Mansell, manager, copy products, Kodak Ltd. He adds that the company's intention is to apply colour to the high-speed machines at the very top end of the market which it shares with Xerox and IBM.

Another important boost for copier makers is coming from a new market: laser printers. This is a booming business in the US as copier makers arm their machines with a laser, or a device called a light-emitting diode array, that can accept digital data from a computer.

Replacing the conventional copier's light lenses, the laser or LED 'writes' its computer in

formation on to the copier drum, which then copies it onto a piece of paper just as it does xerographically. According to Dataquest, the page printing market, made up mostly by laser printers, is expected to grow in value to \$5bn in 1991 from \$1.6bn in sales last year.

The next move, notes Mr. B. Alan Henderson, an industry analyst with Prudential Bache Securities in New York, is development of scanners that can convert hard copy into computer data, which could then be fed back into the copiers/prинтерs to be reproduced as hard copy or channelled into the computer as digital data. A handful of players, including Xerox's Kurnell Computer Products group, have entered this nascent market.

The upper end of the so-called mid-volume range of the market is also in for a shake-up as Japanese producers edge in to capture the other markets typical from the sale or rental of this sector's costlier, faster machines.

Until now, the Japanese producers have concentrated their efforts at the lower end of the business - from slow personal copiers to convenience office copiers in the 'low-volume' range, turning out up to 25 copies a minute to 'mid-volume' devices that can make 30 to 45 copies a minute.

The Japanese have been extremely successful in the lower sector, bringing their manufacturing efficiencies to bear on production of these less sophisticated copiers, which sell for less but in greater volume. They were able to move in and quickly dominate sales after the 1970s when patents on the basic technology, xerography, held by Xerox, began expiring.

At the same time, Xerox (Rank Xerox in Europe) and its high-end competitors, Kodak and, in Europe, Oce van der Grinten of the Netherlands, continued to hold their grip on 'upper mid-volume' machines of 46 to 60 copies a minute and very top-end machines speedily turning out up to 50 or more copies per minute, and often sporting such features as reduction, enlargement, automatic paper recirculation and automatic stapling.

Although fewer machines are sold (about one-half million worldwide in 1985), profit margins are far more attractive. Producers are guarded about the superior margins, but Mr. Roger Dix, National Sales Manager, Copy Products Sales at Kodak Ltd. in the UK, says they are in the region of 14 to 18 per cent.

Not surprisingly, this attracted Japanese producers. Canon was first to introduce a 70-copies-per-minute machine late last year. Ricoh and others are close behind.

Their success is not guaranteed, largely because of marketing differences. In the lower sectors where the Japanese excel, sales typically are through dealerships. But with expensive high-end machines, customers expect hand-holding. Direct sales by the manufacturer, and purchases tied to service contracts are common.

Indeed, service and reliability are the watchwords of copier marketers these days. In the end, quality survives, says Mr. Henk Bodt, chairman of Oce van der Grinten. The buyer has a very strong memory. Mistakes are extremely costly.

Jane Rippetoe

A robot supplies chase

FOR A FEW seconds, I was being chased by a robot. It was about twice the size of R2D2, but not nearly as communicative. In fact, it didn't say anything. An angular hulk, it just hummed across the floor my way until its electronic 'eye' saw me. It executed a wheely and veered off.

The unit, known unceremoniously as 'AGV' for automatic guided vehicle, is one among a dozen similar machines churning and piroetting their way around the floor of a factory in Venray, the Netherlands, where Xerox builds photocopiers for the world market.

The AGVs are a key part of an automated system at the plant that Xerox credits with vastly speeding up production time.

According to Art Noordijk, general services manager at the plant, workers can now assemble certain models in Xerox's 10 Series line in about five hours.

Evaluation and testing takes another two hours. Ten years ago,

he says, the work took 20 hours.

The new procedures have been phased in over the last five years. First, suppliers were put through a stringent prequalification program in an effort to eliminate time-consuming inspection of parts upon delivery. Also, suppliers were required to pack parts in simple ways for easy unpacking at the workstation. For instance, instead of coming individually boxed, a siding part comes packed in a bin with simple cardboard spacers from which they can be very quickly and easily removed.

Delivery is scheduled on the so-called just-in-time sequence - popular in Japan and increasingly so in the US - so that inventory is held ideally no more than two days before parts are needed on the production line.

Upon delivery, cases are unloaded onto an automated roller, ride past a computer station where they are recorded by humans, and then sent on down into an automated shelving area where they are picked up and placed by a computer-run crane.

When a box of parts is needed on a line, the request is placed by computer, the crane is directed to haul the box out and place it on the roller, and one of the radio-controlled AGVs is sent around to pick up and deliver it. Where we are so advanced is in this materials movement system, says Noordijk.

Most of this goes on to the tunes of American pop music enveloping the remarkably orderly plant, lit partly through broad picture windows. Bold colours, blue, green and yellow, deck out pipes and machinery.

Xerox has made major commitments in manufacturing efficiency, and major improvements in shortening the development cycle, says Monica Camahort, an industry analyst at the market research firm Dataquest in California.

According to Noordijk, however, the plant's maximum efficiency cannot be fully tested because copier sales are generally flat, and the shift of Japanese production to Europe in the wake of anti-dumping duties has led to a capacity glut.

There is certainly overcapacity worldwide, says Noordijk. It's now a matter of replacement. Xerox manufactures its 1040, 1050 and new-model 1065 machines at Venray.

Jane Rippetoe

Retailing profile: Wilding
Tops in typewriters

TERRY WILDING has come a long way in the 25 years since he first sold second-hand typewriters at £12.10s a time in East London. Today, his company is one of Britain's largest independent office equipment retailing businesses.

With a turnover of £25m and a network of more than 50 retail outlets stretching from Glasgow to Brighton, Wilding Office Equipment views the future with considerable confidence.

Following the company's flotation in December, sales, particularly in the six months ending in March, showed a turnover of £15.8m, an increase of 43 per cent over the same period last year.

Terry Wilding, now 51, the company's chairman and managing director, left school at 16 to start work as a typewriter engineer. At 24, he branched out on his own, reconditioning second-hand machines in a bedroom at his Romford home.

His big breakthrough came with a contract to supply large quantities of ex-government typewriters. He hired an engineer to help him recondition the old Imperial mechanical machines while he concentrated on selling them.

His brother, Tom Wilding who, incidentally, led the recent management buy-out of Boverie (UE) paper manufacturing company, sold his green Morris Minor car in those early days to help Terry to start his business. The first Wilding shop was at Walthamstow and was soon followed by two others in the Essex area.

Today, the retail network claims to sell more typewriters than any other UK retail distributor, although the company's range of products is far

wider than typewriters. As a single-source supplier of office equipment it ranges from electronic typewriters and word processors to personal computers, printers, calculators, copiers, dictation equipment and office furniture in large quantities.

Wilding became the major UK distributor of Brother electronic typewriters. Production at the company's plant at Wrexham, North Wales, is now up to 20,000 machines a month.

Wilding is also one of the first business equipment retailers to sell the Amstrad PCW8206 word processor and was selling more than 1,000 machines a month at one stage.

The company's biggest branch so far - a 4,000 sq. ft. showroom in London's Grays Inn Road - was opened last year. One of the newest regional centres is in Bristol, serving the south-west and South Wales. However, the opening of a new £100,000 furniture warehouse with more than £500,000 worth of stock at Chingford, Essex, is in the heart of Wilding's plans to provide one of the UK's fastest delivery facilities for office furniture.

The aim is to deliver stock in less than seven days and, in some cases, within three days of an order being placed, says Mr. Mike Hebrew, who oversees the furniture division.

These sorts of time-scales are almost unheard of in the office furniture business where weeks, rather than days, are quoted, says Mr. Hebrew. We intend to become as well-known in the office furniture market as we are in the business equipment sector.

Despite his success in the retail business, Terry Wilding

claims he is not a salesman, but a manager and a planner, enthusing his team, rather than being out at the front-end of the sales operation. From the first days of the business he had a five-year plan for expansion and applies three maxims for running the company - value for money, through competitive pricing; unbeatable customer service; and the provision of the latest state-of-the-art product range.

But the company also has plans away from High Street retailing. For example, in a cost-saving project, May and Baker, the international pharmaceutical and chemicals group at Dagenham, Essex, has handed over the purchasing responsibility for its office equipment to Wilding, May and Baker hopes to save at least 15 per cent annually by this arrangement.

Meanwhile, Wilding has set up a 'dedicated branch' inside May and Baker's 81-acre site and has staffed the centre with a manager and three assistants to service the chemical company's sites at Ongar, Essex, Norwich and Manchester. They are also looking after the London office of Rhone-Poulenc, May and Baker's parent company.

In its two-year contract, renegotiated annually with Wilding, May and Baker no longer carries stocks of extra office equipment and supplies, and is not involved in the purchasing function.

Following a three-month trial period of working together, the scheme was said to be 'working well.'

Michael Wiltsire

OFFICE EQUIPMENT 3

Word processing equipment

Debate over rival systems

TWO QUITE quite distinct views have developed in the last year or two about the future of the word processing market.

On the one hand are those who argue that there will always be scope for sophisticated stand-alone machines basically designed for typewriter-type functions. On the other hand there are those who contend that word processing will eventually disappear as a separate segment of the office equipment industry, its functions absorbed into general purpose personal computers or desktop publishing devices.

For the time being, the jury is quite clearly out on these rival contentions. The UK word processing sector has undoubtedly taken a battering since the heady days of the early 1980s, most vividly demonstrated by the problems of Wordplex, which went public in 1982, crashed into losses in the following year and then, after a few months ago by Norsk Data. Sales are under pressure, and many of the front-running companies of a few years ago have retreated from the business to concentrate on other aspects of their activities.

Nevertheless, these problems have been accompanied by new developments from manufacturers quick to seize the opportunities presented by developments

in computer technology. Traditional word processing derived from the need for specialised document handling, and tended to be organised by clustering machines around a central minicomputer. The rapidly increasing use of microprocessors has since brought more power and sophistication to individual desktop machines, opening up fresh possibilities in the market.

An example of one of these new types of products is the new range of word processors launched by Olivetti earlier this year.

Aimed very specifically at secretarial use, these machines are designed to provide the facilities for secretaries to perform all of their traditional typewriting tasks, such as producing a simple memo or addressing an envelope. But they are also equipped with a screen and a printer for more elaborate document production and editing functions, and can additionally be linked into a local area network for transferring and receiving computerised data. This set-up can be switched to a high resolution mode for intensive secretarial work, while the operating system is MS/DOS compatible so they can be connected into the standard corporate operating environment.

Olivetti believes that this approach has given a new lease of life to its word processing equipment as distinct from personal computers. Since the launch of the machines, priced at between £1,800 and £3,500, it says that demand has been strong in both Europe and the US. "Recent studies show that many personal computers that were bought for secretarial use are lying idle," says Ms Lea Clarke, product manager for Olivetti's office systems division. "What we are now saying to people is that they can have the PCW have already reached 750,000 worldwide, he adds, and are still increasing as the company expands its distribution overseas.

"I cannot see why word processing needs to be networked," says Mr Miller. "People need to send a letter or produce a report, but they don't need to distribute that information." Notwithstanding Amstrad's enthusiasm for this simple approach, it has made a celebrated name in the world's word processing industry. Wang - based in the opposite direction. Its present range of machines offer both word and data processing, and while the company concedes that some customers use them in only one guise, it claims that most run both types of programme. Wang says that it is experiencing a strong period of growth in the UK, demonstrating that the integrated functions that were traditionally performed on word processors can now be done more effectively with desktop publishing machines.

Whether these developments in the market mean that word processing maintains its position as a discrete sector is likely to depend to a large extent on the evolution of rival technologies. Some analysts argue, for example, that the Amstrad is not a word processor in the classic sense, but more of a sophisticated display typewriter. Similarly, at the top end of the market, many of the document preparation and presentation

sales of display typewriters jumped 150 per cent.

The Frost and Sullivan market research group also believe that the pressure on the established word processing market will continue. "The traditional word processor will largely disappear," the company says in its latest report on the office equipment market. "It will be replaced by the limited function display typewriter at one end, and a sophisticated graphics workstation/electronic publishing device at the upper end."

Terry Dodsworth

Communications equipment

Competition intensifies

THE UK market for communications and telephone equipment is in a state of flux. As a result of the upsurge in activity which followed the liberalisation of telecommunications in the early 1980s demand for key products, such as private exchanges, has peaked.

Most manufacturers are gearing up for this convergence, with computing companies scrambling to acquire telecommunications expertise and telecoms companies following suit from the opposite direction. One of the most recent examples was the announcement this month of an agreement between Ericsson, the Swedish telecommunications group, and IBM, the world's largest computer company, to develop new features for advanced telephone networks.

The two companies intend to draw together IBM's expertise in database and data network management with Ericsson's digital switching technology to develop technical solutions for advanced functions in the "intelligent networks" planned by telephone companies.

These networks are intended to give telephone users virtually all the benefits of a private telephone network, and could also mean the improved management of services such as free private calling and credit card calling.

Telephone operators, too, are getting in on the act. British Telecom, for instance, is planning a big push into the development and manufacture of computer-based products, partly to defend revenues on its core network from computer companies which are moving strongly into the provision of value added services.

Office workers' use of value added services, such as electronic mail, electronic data interchange, voice messaging and electronic funds transfer at the point of sale, is likely to increase rapidly throughout the rest of the decade.

The market for value added services in Western Europe has grown from \$230m in 1984 to \$600m last year, and is forecast to increase to \$1.5bn by 1991, according to a recent report from Frost & Sullivan, the US-based market research consultancy.

The UK market at \$314m was the largest in Europe last year, and will still be the largest in 1991, when demand will be \$1.2bn - a compound growth rate of 31 per cent.

Many of the results of the convergence between telecoms and computing will be on show at the world telecommunications exhibition in Geneva in October. It will be unveiling a product there, developed with the help of Digital Equipment Corporation of the US, which will be one of the first fruits of BT's new strategy.

The product will link a company's private telephone exchange to its central computer, controlling the telephone operations of clerks such as credit control workers. The computer will prepare a list of people for the clerks to phone, dial the people in sequence, flash up data about each person on the clerk's terminal and then record actions to be taken as a result of the call.

Workers are also faced with another key development in business communications - the extension of communications outside the office. At the forefront of that is the explosive growth in mobile communications. But that is another story.

The UK Telephone Attachment Market to 1989, MZA, 20 Daniel Street, Bath BA2 6ND. £3,500. The European Market for Value Added Network Services Frost & Sullivan, 4 Grosvenor Gardens, London SW1W 0RH.

David Thomas



Orders roll in

PHILIPS Business Systems, part of the Philips UK group with a turnover of well over £1bn, is confident about the prospects for the stand-alone word processing equipment sector, with business now up 25%.

There is still a vast potential market and we are finding new customers in significant numbers while winning a lot of orders back from the PC market," says Mr Nick Fosters, marketing manager. In the City of London the company is also still winning orders of up to £800,000 from larger companies which are changing over from manual machines to dedicated WP

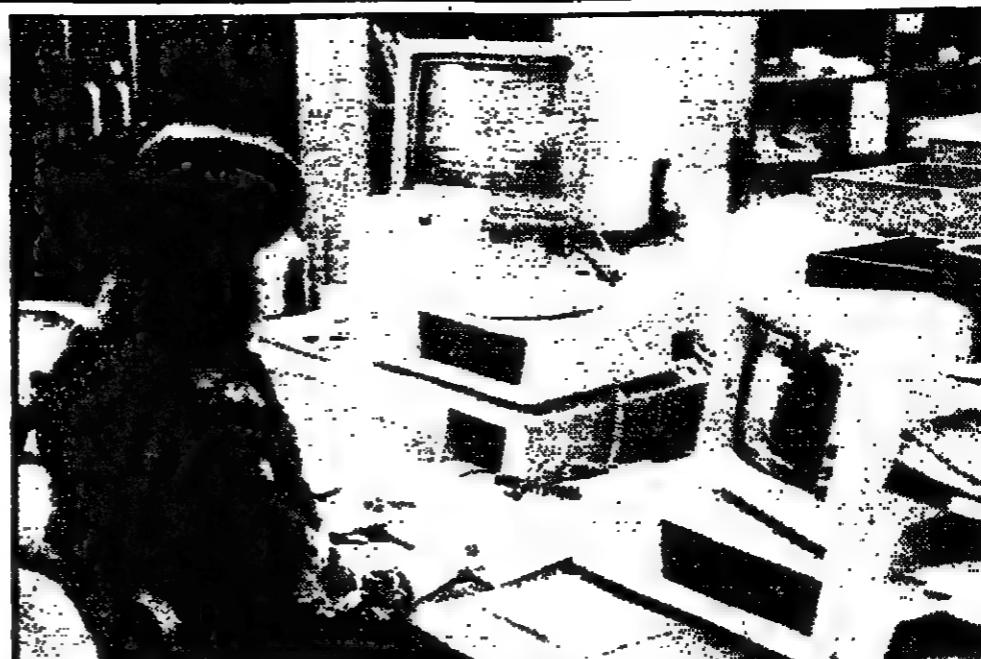
machines.

While many decisions about purchasing WP equipment used to be made by data-processing managers, the trend is now for well-informed secretaries to become the decision-maker about such equipment. Secretarial staff are now much more familiar with WP requirements.

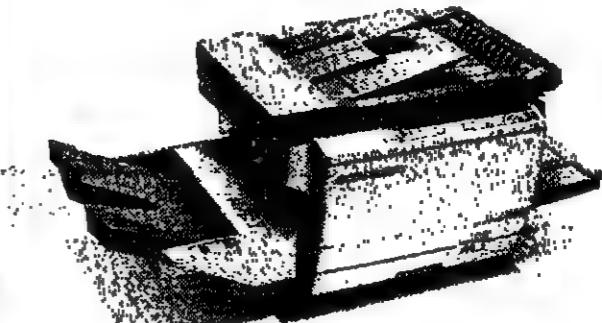
While more UK companies

are spending more equipment, Britain is the poor relation internationally when it comes to training in WP equipment usage. In the US, spending on training is near a third of Japan's level, while 64% of Britain's top managers have had little or no training in information technology, according to a Philips survey.

M.W.



Guess who ordered the Ricoh copier.



Ricoh may not be a familiar name to you at present. But order a copier or any Ricoh office equipment and one other word will soon also become extremely familiar.

"Thanks."

"Thanks" from the boss for improving the overall efficiency of the company.

"Thanks" from the financial director for slashing the service bill.

"Thanks" from the executives who now seldom hear the dreaded words "the copier's broken."

And an extra special "thanks" from the secretaries who always used to get blamed for it, and whose life in the office is now so much easier.

For over 50 years, Ricoh have been designing office equipment from one simple, enlightened point of view.

By putting ourselves in the other person's place.

And that's you, the operator. You, the financial director. You, the executive. And, of course, you the buyer.

And thus, what you want is designed into every piece of our equipment.

Easy of use, the latest labour saving technology, dedicated service and above all, standards of quality and reliability which are unsurpassed.

Thus, Ricoh has become synonymous with the word dependable.

It is this philosophy which has seen Ricoh grow into a company successful in more than 130 countries.

And as a final proof, become market leader in copiers in Japan*, where it is rumoured, they know a thing or two about business.

*Nihon Keizai Shimbun (Japan Economic Daily)

RICOH

OFFICE EQUIPMENT 4

Ordinary mail services

The Post Office fights back

LAST YEAR, during its 250th anniversary year, the Post Office handled a record 11.2bn inland letters, delivered at 4pm per day. The Post Office's success is despite the advent of the electronic data communications and electronic mail and proves, yet again, that the paperless office is a fantasy.

Clearly, we are in the midst of an information processing revolution. Equally clearly, ordinary mail services are still the cheapest and most widely used method of national and international distribution.

However, though the PO comes in for a lot of criticism about late deliveries, and strikes have been putting a strain on customer relationships in some areas, in many cases the complainants would do well to look at their own operation first, to see if improvements could be made there.

Picture a typical scene. It is 2.30pm and you have an urgent mailshot to send to your 4,000 customers. The computer printer has no problem in handling the job within the timescale. But then the mailroom is presented with a stack of computer stationery which it is expected to decollate, burst, fold and insert into envelopes by the last post.

Then the realisation dawns that it is simply impossible to achieve because there is not sufficient labour available. Using traditional manual compilation methods in a computerised environment is bound to cause chaos.

A more cost effective, efficient solution would be an electronic in-line mailing system from such companies as Cheshire Mailing Systems, Cave & Tab, Kemp Applications and Kenrick & Jefferson, because a fast turnaround can be guaranteed.

Even greater productivity is possible with a computer controlled console like the one just launched by Bell & Howell. It will enable one supervisor to monitor the performance of up to 16 AIM (automatic in-line mailing) installations.

John Russell, European marketing director, mail handling division, Bell & Howell, comments recently: "We see a definite trend toward the need for more sophisticated computer based-management tools which help businesses maximise efficient productive use of their mailing systems, particularly within multi-system departments."

There really is no excuse for inefficiency to run unchecked in respect of any mailroom activity today, even in the smaller company. There is plenty of equipment available which will ensure that post can be despatched just as soon as it has been produced, not several days after.

It is possible to speed up almost every aspect of a mailing operation. Computerised systems from such companies as Addressing Systems International, Datascan, Data Card, ASI, Mailgroup, Scriptomatic and Target Addressing enable all addressing and labelling applications to be handled with ease, thereby cutting costs and saving time as well as improving efficiency.

Lost revenue from wrong weighing and over-franking should now be problems of the past. Electronic postage meters and weighing machines from companies like Envapak, Hasler and Romeo Alcatel have revolutionised the busy mailroom where accuracy and speed are of paramount importance, because such machines remove all the guesswork and therefore the risk of human error.

Until now, however, the only way that departments could be made accountable for their postage costs was to write the amounts down as they are incurred.

But that is all about to change, according to John Curtis, marketing manager of Pitney Bowes, a leading mailing equipment supplier: "We have been

noticing a major shift towards management control of the mailroom activities over the past year and we have responded to this demand by introducing a concept of Post by Pitney Bowes, a more modern version of our Remote Meter Recharge System, whereby the customer has just one account with us, rather like a bank account, with a monthly statement issued for each machine, which may be in a department or branch."

If users have no wish to keep a credit account with a supplier, then the new Romeo Alcatel Credipax may be the answer. It consists of a matchbox-size module with digital memory which is sent with counterfoil and a receipt in a priority red envelope to the Post Office, or to stock stamp in case the machine runs out. If required, customers can be provided with weekly management reports detailing spend of individual costs.

Pitney Bowes has also just launched a new electronic meter which can keep count of the number of items in a batch and will, at the touch of button, display the amount of postage paid, the value of unexpired postage and the total expenditure.

Telephone answering systems

How to keep in touch

WITH DIGITAL technology taking a firm grip on the UK telecommunications industry, the terms used for traditional office equipment start sounding rather old-fashioned. Telephone answering is a prime example. Call it "voice messaging" and you give a rather mundane subject a brand new high tech image. Add "voice mail", whereby spoken messages can be sent electronically as you would send text messages, and you have a whole new industry just waiting to blossom.

The principles of telephone answering are now well-known. The prime one being that you are always contactable and your callers can leave a message for you, even if you are out. Wherever you are, even if on holiday in the Bahamas, you can access your answering machine via any ordinary telephone and listen to your messages; so you need never be out of touch with events back in the office.

According to National Telephone Systems (which incorporates the Ansafone company), there are no less than 700,000 telephone answering machines installed in the UK, including domestic as well as business units.

Users can buy answering machines for as little as 70 or as much as 1,000 depending on the model.

It can be linked to an electronic accounting system to ensure better cost control and better management of postage by department, function or cost centre, and will print a hard copy for audit purposes.

A version for larger companies which would enable postage costs to be tracked automatically so that clients can be recharged directly, is, apparently, imminent.

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Julie Harrett

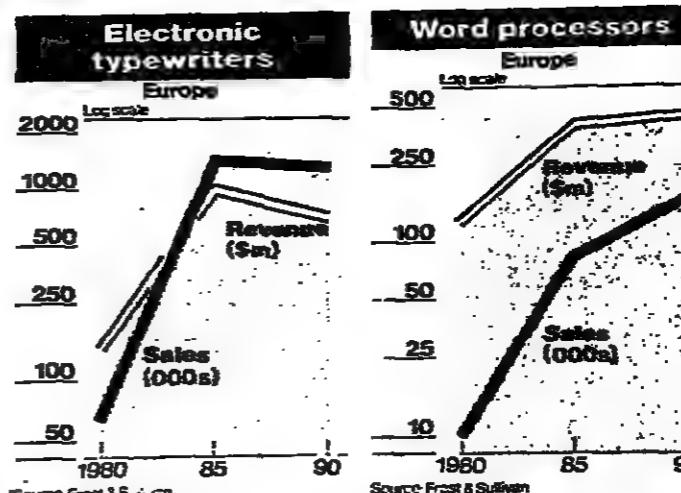
call which is now Vanderhoff. Other suppliers include Grundig, Philips and Sanyo. There is undoubtedly still a large ready market for traditional answering machines, despite the advent of digital technology and voice-messaging. As with any new technology, developments tend to leap ahead too fast for mere mortals to keep up with; and human nature tends to shy away from anything they do not really understand. For that reason, it is liable to be some time before voice-messaging really catches on in a big way.

Nevertheless, British Telecom research shows that 60% of executives are out of touch at some point in the day and that 10% of people admit there is no possible way to contact a colleague who is out. One of the very first companies to offer voice-messaging was the recently-quoted company Information Technology, with the Memophone.

This provides each telephone extension user with their own voice mailbox which for storing incoming messages when they are out and which they can access and listen to 24 hours a day via any normal telephone.

Julie Harrett

EVIDENCE that the copier industry is generally making a determined effort to upgrade its servicing operations comes from new independent research carried out by the National Business Equipment Survey. Revenue from copier sales has begun to tail off, despite increased unit delivery, as a result of greatly increased competition.



Source Frost & Sullivan



Toshiba's T3100 compact desk-top computer is easily disconnected for travel when required.

sufficiently large companies, says ITL. So, while it is true that such large companies insist on open systems and X400 standards for their internal networks, then it should be possible for international companies to force the pace and ensure the rapid installation of a global X400 message handling system.

This may not be as futuristic as could be feared. Next month, the Geneva Telecom 87 trade fair will witness the largest demonstration of X400 yet seen. Twenty-one of the world's leading suppliers of X400 services and products are co-operating to demonstrate that global X400 is already beginning to take hold.

Twelve of the members are major manufacturers, including IBM, DEC, Unisys, Olivetti, Nixdorf, and Philips while the others are either PTTs or private operating agencies, including BT, AT&T, Deutsche Bundespost, Nippon Telegraph and Telephone and so on. The intention will be for the various carriers' services to demonstrate their ability to inter-network in accordance with X400 standards, and to switch messages between different vendor hardware.

In the meantime, ITL has recently delivered the second phase of the Inter-Departmental Electronic Mail (IDEM) system to the UK's Central Computer and Telecommunications Agency (CCTA), thus demonstrating the UK's commitment throughout government and industry to the X400 standard.

For the time-being, however, we must be aware of what is available and what we really need when we talk of electronic mail. Large corporations should already be implementing X400 systems. Small companies will be limited to the existing e-mail facilities available with their computer systems. These may or may not be compatible with X400 systems.

The smallest companies and domestic users will remain limited to the existing public e-mail services: to Telecom Gold, to One-to-One, to Prestel and so on.

The laws of economics mean that the domestic user will be the last served. Electronic mail from house to house is still very many years.

Kevin Townsend

Electronic mail

The unfulfilled promise

ELECTRONIC MAIL is the unfulfilled promise of the information revolution. Inside the large corporations that already have their own extensive computer networks, e-mail - as it is termed - is a popular and much used facility.

But, as Data General's user survey has shown, while more than 150,000 users make extensive use of e-mail, few of them use it on its own. Intra-company e-mail is alive and thriving, as part of corporate computing but inter-company e-mail, as a replacement for the postal service is virtually non-existent.

The reasons for this are many and varied. One of the most popular theories is that it is a reflection of the way business is conducted.

Claudio Sarno of Copymore Office Automation, for example, tells us that despite moves towards less and less paper in the office, business still revolves around paper. Both fax and telex fit into this mode much better than electronic mail.

While the initial decision to install some software for an internal e-mail system on a central mainframe is not a major purchase, perhaps even a no-cost option acquired with another software system, people can experiment freely. The internal cost allocation is probably little more than an increase in central overheads, and individual users don't need budgetary approvals, purchase orders.

Organisational issues are likely to be the next to come. An internal system is likely to be accessible by all the existing PCs and terminals which have a communications link without installing any special hardware or software at each user's workstation.

The initial decision to install some software for an internal e-mail system on a central mainframe is not a major purchase, perhaps even a no-cost option acquired with another software system. People can experiment freely. The internal cost allocation is probably little more than an increase in central overheads, and individual users don't need budgetary approvals, purchase orders.

It would be a mistake to believe, however, that the information industry is unaware of the difficulties of inter-company and public e-mail. The advantages of in-house e-mail have been so vast and so well

chronicled that they cannot be abandoned and from the desire to pass these on to all and sundry has come the international X400 messaging standard.

We are a long way from having an effective international X400 network, but the march has begun and is now inexorable (it is noticeable, for example, that BT has abandoned its concentration on the teletex standard in favour of its X400 MHS).

This is much more than just electronic mail. It is a series of specifications for a message handling system that will enable the integration of voice, graphics, text, binary data, images and more on an international scale.

IP Sharp has been operating a public e-mail service for ten years.

David Chivers believes that the success of public e-mail is dependent upon a critical mass of users. Until this is reached, successful e-mail will remain in-house.

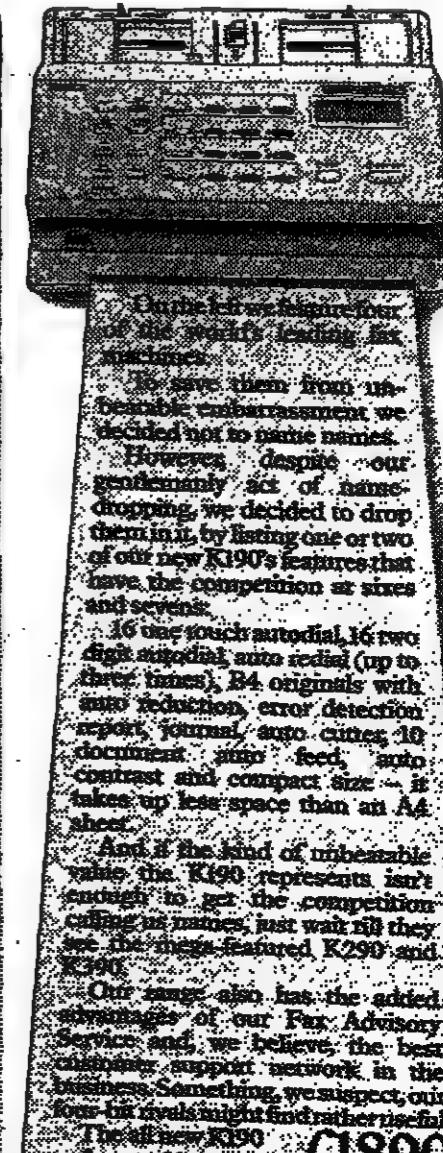
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Issues such as addressing, international directories, tariffs, conformance and interconnection all need to be resolved if we are not to be islands of MHS warns ITL's George Francon.

However, all is not lost. Large international user companies can dictate the way markets develop. Already in Sweden, Volvo, Electrolux, Televerket all use e-mail interconnected via public leased lines.

The interconnection of corporate networks in this way appears to be the future trend for

If they got their act together, they would have a fax as impressive as ours.



THE CARSON GUIDE TO OFFICE HAPPINESS
THE MYSTERY of the TIDY DESKS

I SIT there, long after everyone else had gone home. What was wrong with my department? Why was productivity so poor? Why were sales so bad? Why was morale so low? Perhaps ... perhaps I wasn't the manager I thought I was. And yet, I had joined Robertsons with such high hopes.

I walked the length of the darkening office... if only there was something I could do.

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OFFICE EQUIPMENT 5

Facsimile equipment

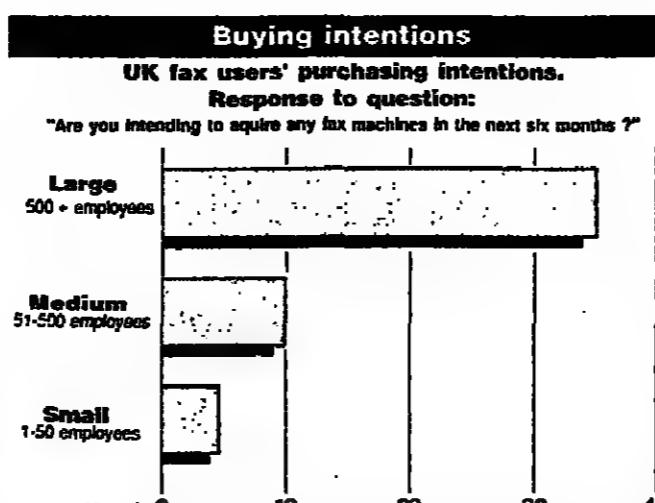
New machines add fuel to sales boom

THE FACSIMILE boom of the past few years shows no sign of abating. All the major industrialised countries are experiencing increases in sales. In the past year Japan's market has grown by 15 per cent, North America by 14 per cent, and Western Europe by almost 20 per cent. Significantly, within Europe the UK is the most dynamic market and is the third largest single market in terms of new machine sales.

According to figures published by the British Facsimile Consultative Committee, twice as many fax terminals were sold in the second quarter of 1987 as in the same period of the previous year. Over 21,000 units were sold from April to June, bringing the total UK base to 120,000, surpassing the telex population by over 6,000. It is estimated that there will be well over 150,000 facsimiles in use by the end of the year, producing sales of £157m.

Fax has been around for over 140 years but, surprisingly, it has only recently captured the public's imagination. Simple to use, and with a large user base, facsimile can transmit documents, including text and graphics, to anywhere in the world over the public telephone network for the cost of a telephone call. However, before the Geneva-based CCITT (the International Consultative Committee for Telephones and Telegraphy) established international standards, each manufacturer had developed its own proprietary standard. This meant that one supplier's fax could not communicate with another's.

Today's machines conform to one of four standards—each standard relating to the speed at which it can transmit an A4



page. Group One is the slowest standard and is virtually obsolete, transmitting a page in six minutes. Group Two machines transmit at a rate of three minutes and a fax disappears. Group Three machines can transmit a page in under a minute. Group Four machines, the latest group to be ratified by the CCITT, are designed to work over digital lines and can transmit a page in around three seconds. It is predicted that this group will not make any significant impact until the telephone network is fully digitalised in the early 1990s.

At present Group Three machines dominate the market with a 22 per cent share, claims marketing consultancy NBES. According to some observers it will continue to do so even when Group Four becomes readily available.

Today's Group Three models have as standard a 9600 bits per second modem, which allows them to transmit a page in under 20 seconds. Indeed, one manufacturer Harris3M offers a model that can transmit an A4 page in 10 seconds. Many experts believe that by the time the telephone lines are completely digitalised, Group Three machines will have been enhanced still further to provide Group Four with stiff competition.

It is estimated that Group Three's transmission time may, by then, have fallen to between five to seven seconds and that it will then be able to integrate with computers. This development will allow documents created on computers to be transmitted via the facsimile machine and, by the same token, for messages received by facsimile to be relayed to the computer.

One of the major growth areas for fax is in low cost machines. Sophisticated functions are fea-

THERE are 1.4m secretaries and typists in Britain, over half of whom spend much of their time waiting patiently while their bosses compose a letter so the words can be committed to a notebook before he forgets them. Furthermore, 70% per cent of secretaries spend some of their time trying to decipher words which are so barely legible they may as well be in San-

script. According to a recent survey conducted among the members of the Business Equipment and Information Technology Association, seven out of 10 executives still use long-hand when originating some of their business correspondence, while 58% use the services of a shorthand secretary, spending both, depending on the circumstances.

Only 25% make use of desktop dictation machines, while a mere 1.6% use a centralised system. It is felt that is despite the fact that 58% of executives interviewed were aware that time savings would accrue through use of dictation equipment. The more senior the manager, the less likely is the person to use dictating.

But if one accepts that time is money and that waste of time always has an adverse effect on the bottom line, it would not be unreasonable to ask how, in this high-tech age of split-second dealing, executives can justify using ponderous methods to turn thought into written words; and why it needs two people to compose the simplest of letters?

True, over two-thirds of executives use portable machines, and the numbers are increasing by around 23% per year in unit terms. Is in value terms. Why, then, is there less enthusiastic support for office-based systems?

Clearly, lack of use is not be-

cause the accountant is putting a firm foot down, because prices range from a low 70 for hand-held devices and 250 for desktop machines, and go up to around 60,000 for a system which would help them capture 12% of the market.

This is a little ambitious, as Graham Rivers, UK Marketing Manager of Harris Information Systems, admitted: "The problem is that not many companies can cost justify \$50,000-\$60,000, based on a centralised system that supports the whole organisation. So the market for it was limited."

"However, we are just about to launch an attack on the small work group systems market, where there is greater potential, with a disk-based system, called the VoiceWriter, which can support 15-20 people, depending on demand, and will cost between 2,000-4,000. We have exceedingly high hopes for the new system and would not be surprised if we captured even more than 12% of the market, once it brings a glossy high tech image to dictating which we feels it deserved."

But, according to Louis Verhulst, Marketing Communications Manager of Philips, Australia, the challenge to the industry is one of overcoming the "inertia" of the status quo, where people recognise an easy way to improve their efficiency but won't do anything about it.

Philips' market researcher, Dr. Franz Kohl, believes the problem is in the hurdle that non-users perceive when they start getting started with dictation. Those include the idea that the use of such equipment bars them for ever more from using pen and paper; that they will lose prestige with their secretaries; and that sudden improvement in their efficiency may well be grounds for dismissal use it would indicate enormous inefficiency in the past.

Roger Fuller, sales and mar-

Applications for dictation equipment

Much scope for expansion

keting manager, office automation, for Sony (UK), believes strongly that the dictation equipment industry is on the brink of a renaissance, as companies demand greater work output and operational efficiency. The real benefit of dictation equipment is that it enables anyone and everyone to "talk work off the desk and out of the briefcase; and it is available 24 hours day."

Paul Jennings, Dictaphone's marketing director and chairman of the BEITA dictation equipment division, says: "It is amazing to see, even in 1987, after decades of expecting the imminent arrival of the paperless office, we still have a good half of the business world resisting change".

Lack of proper education and training of end users, both managers and secretarial, is responsible for the continued use of outdated office practices, he suggests.

Mr Fuller confirmed the industry view about lack of end-user training. Sony's commitment to training is evidenced by their co-operation with Rank Audio Visual to produce an educational video entitled 'Dictating on Tape', a useful visual aid for companies which believe that time is of high value. This presentation also helped Sony to win a lucrative contract with TSB for a range of hand-held and desktop machines which will support a 'whole new way of working' for the group.

TSB has also purchased a Harris centralised disk-based system. Bearing in mind that TSB is arguably one of the more active organisations when it comes to commitment to office automation technology, it must indicate that dictation really is on the brink of a renaissance.

Julie Barnett

How to cut costs on calls

IT IS said that telephone call costs could be reduced by as much as 30% if a call management system were installed. With an estimated 155,000 PABXs installed in the UK, with some 15m white collar workers, all of whom have access to a telephone handset, the potential for systems which control these mini-cost-centres is substantial.

For example, if it is seen that frequent calls are made to one particular number, the installation of private leased line could be considered.

If the system monitors incoming calls as well as outgoing calls, management can immediately tell if they have an adequate number of telephone operators to answer calls. Or, if one person in a department seldom seems to complete their work on time, management can more easily see whether their incoming calls impose an unfair burden, in which case an automatic call distribution system could be installed.

There are about 20 call-management suppliers in the UK, but it is estimated that just five

of them supply about 75% of all systems; those being AGI, Call Logic, Dynamic Logic, Interscan and Systems Reliability. Other contenders, including British Telecom, Philips, Plessey, Tiger and TISI, may well argue with that assessment, however, having captured some lucrative contracts.

Of the 400-plus international hotels in the City of London, 250 are thought to have purchased call-management equipment; while 4,500 hotels are making use of such systems to bill guests, says Callog.

Companies providing security guard services are also proving to be enthusiastic users, because such systems enable checks to be made on the alertness, and presence, of security guards. Reports can be printed to prove the case one way or the other. Organisations which are expected to become major users of such systems include hospitals and health authorities, local authorities, freight haulage firms, banks and building societies.

Julie Barnett

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OFFICE EQUIPMENT 6

A surge in radiopaging applications

Keeping in touch on the move

RADIOPAGING, long seen as the poor relation in the mobile communications market, is rapidly shedding its unglamorous image. Eclipse by the rapid growth and the whiz-kid aura of cellular telephony, the radiopaging industry's revolution has largely gone unnoticed.

Wide area paging, as opposed to on-site paging where the user is usually confined to an area covering several hundred metres—is currently growing at around 30 per cent per annum, and according to some observers is likely to sustain its growth long after the cellular market reaches a plateau. From a user base of around 400,000 today, it is predicted that by 1990 over 1m pagers will be in use. By the year 2000 the figure will be approaching 3m, bringing the market value in operating revenues alone to an estimated £300m.

Paradoxically, it has been cellular's success that has helped to create a knock-on effect for the paging industry. According to Mr Daniel Nabarro, chairman of Inter-City Paging, although cellular technology competes with radiopaging, it has none the less increased awareness of the value of keeping in touch on the move and therefore has benefited all forms of mobile communications.

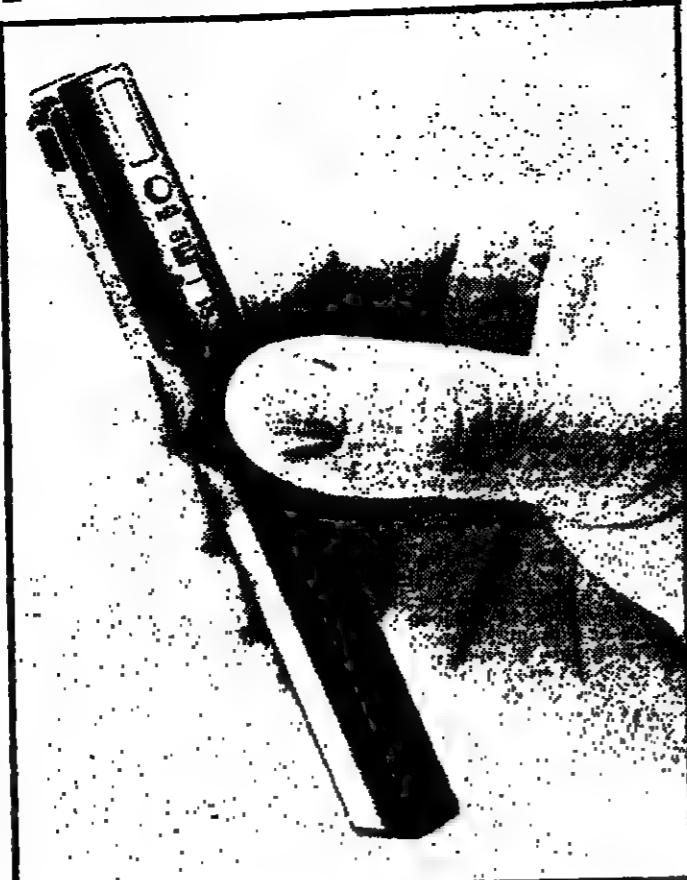
In the past three or four years, the radiopaging market has witnessed a dramatic transformation, fuelled by the introduction of competition and technological development. Before 1983, British Telecom held the monopoly in the market, but on liberalisation was joined by three private sector companies which were issued with operating licences: Air Call; Digital Paging Systems (now called Digital Mobile Communications); and Inter-City Paging.

However, it was not until 1986 that the three companies reached the important "inter-connect" agreement with BT.

Before that, customers had to contact a special bureau which "bleeped" the user. Since then, users of non-BT service can be contacted directly from virtually anywhere in the UK.

Today, British Telecom still enjoys an 80 per cent market share and is the only company to offer a truly national service.

Competition has, however, prompted BT into action. Last September, it set up British Telecom Mobile Communications to co-ordinate its activity in mobile communications. It has also streamlined its national radiopaging network, creating six regional "Cover



Mr Bob Ure, managing director, Mercury Paging, a joint venture between Motorola of the US and Mercury Communications. Right: what is claimed to be the world's smallest pager - the Sensor, recently launched by Mercury.

"Pins" zones as an option to its 40 separate zones—the zones being the Home Counties, West/South Wales, Midlands, North West, North East and Scotland. In this way, the customer can choose to have a larger coverage area than previously offered or, indeed, to have national coverage, allowing the user to be bleeped almost anywhere in the UK.

None of BTMC's rivals at present offers a national service. Instead, they have concentrated in serving the major conurbations where subscriber density is at its highest. Air Call offers a service in Greater London, the Midlands, the North-West, Southern Scotland and the areas surrounding Aberdeen. Digital Mobile Communication covers the area encircled by the M25 and part of the Midlands and North-West. Inter-City Paging is expanding its service to provide national coverage by 1988.

Mercury Paging launched its service in May this year with an initial coverage area of London and the Home Counties beyond the M25. The area will form one service area and billing region. This, claims Mercury, offers a major advantage over existing services. Mercury Paging is a chief proponent of this argument. It believes that, in addition to attracting the traditional pager markets—construction, transport and medicine—it can appeal to a wider audience by positioning the pagers as an essential business item. And that is certainly true of the equipment that is emerging on the market today. Until fairly recently radiopaging was limited to the simple beeper.

Today, there is a greater variety and sophistication of equipment available. The most inexpensive pager available is the

service almost immediately. The Pagenet consortium is expected to be operational in 1988 and it, too, is planning a national service.

According to Mr John Carrington, managing director of BTMC, "radiopaging needs a wider image". Indeed, it is generally felt that with a more aggressive marketing approach, the paging market in the UK could achieve the level of market penetration enjoyed in other industrial countries. Mercury Paging is a chief proponent of this argument. It believes that, in addition to attracting the traditional pager markets—construction, transport and medicine—it can appeal to a wider audience by positioning the pagers as an essential business item. And that is certainly true of the equipment that is emerging on the market today. Until fairly recently radiopaging was limited to the simple beeper.

Today, there is a greater variety and sophistication of equipment available. The most inexpensive pager available is the

unit-only variety, which, not surprisingly, emits only a "bleep" to indicate that you have to touch base with home. The typical price for this pager is around £90; the rental charge is around £30 per quarter.

Numeric pagers which can display messages on a liquid crystal display (LCD)—the length of which varies, but is normally around 20 characters—are a major growth area of paging. This type of unit is slightly more expensive and costs about £170 (or £50 per quarter).

Voice pagers, where the user can receive only a spoken message are likely to fall from grace mainly because the message cannot be stored and, in many cases, may be unintelligible or lost because of the circumstances at the time the message was transmitted. This type of unit costs about £160 or £25 per quarter to rent.

The latest technology transforms the pager into something more than just a pager. The new "message pagers" allow a full-text message to be relayed to the subscriber anywhere within the coverage area. As a rule of thumb, most pagers in this category can receive messages of up to 400 characters and can store them so that they can be read when required.

Indeed, in the past few months, models have been appearing with even greater capacity. For example, Inter-City Paging has introduced a Panasonic model which can store 1,200 characters. Mercury Paging has announced a Motor Message Centre which can display a complete text message up to 32 characters long and can receive 1,000 characters on one message. It can also allocate up to 1,800 characters on one message and can allocate up to 1,800 characters on one message.

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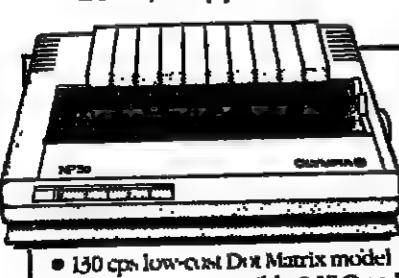
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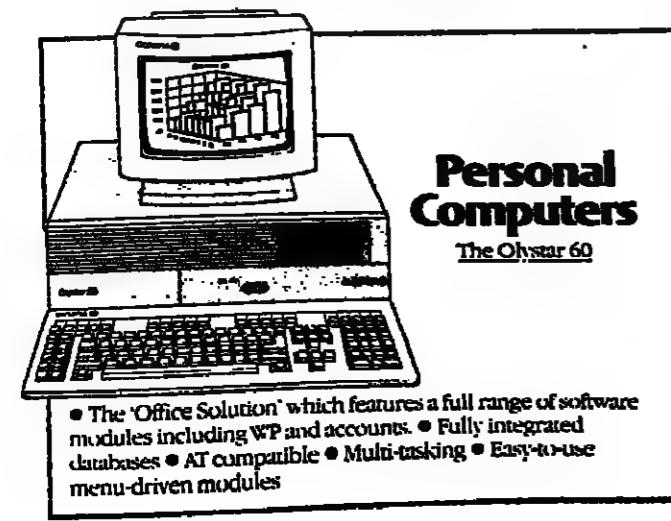
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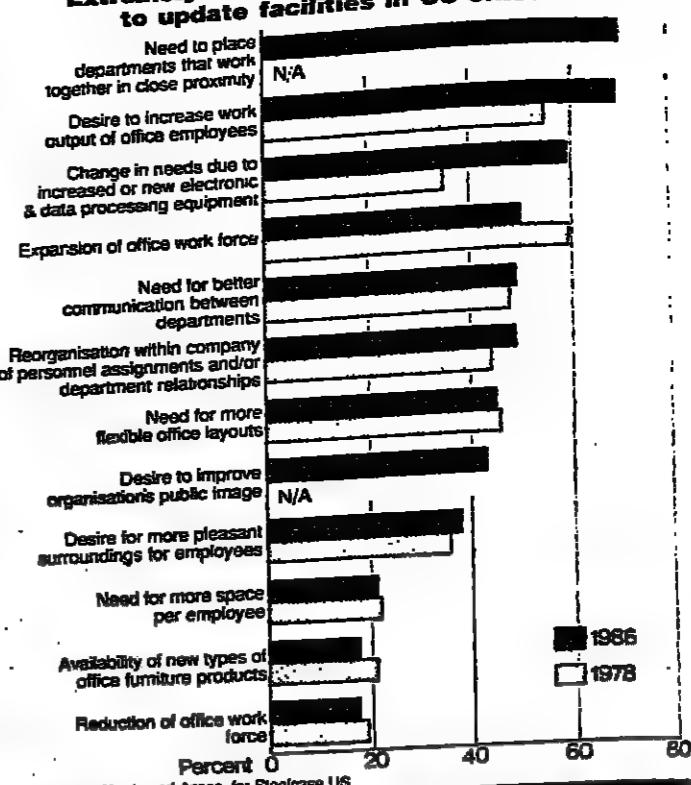


OLYMPIA

Productivity and the office environment

Signs of changing attitudes

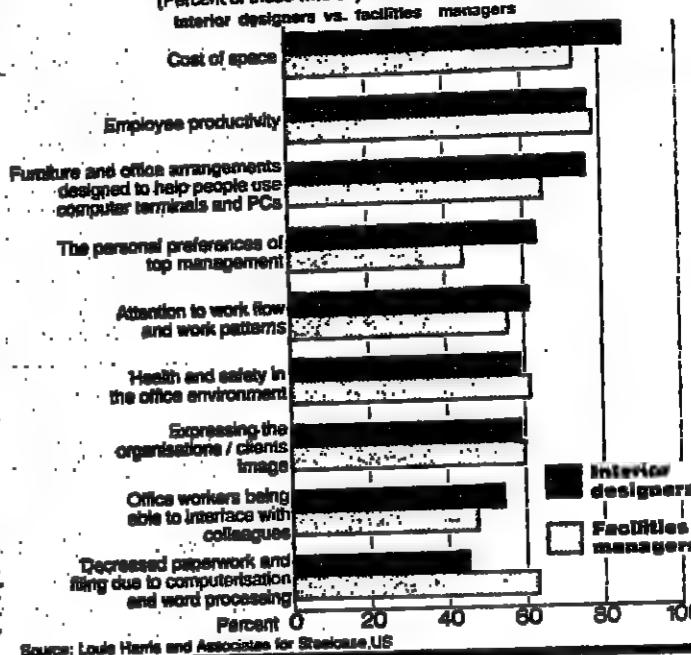
"Extremely important" factors in decisions to update facilities in US offices



Source: Louis Harris and Associates for Steelcase US

Key issues in office planning

Design professionals' and facilities managers' perceptions about office design issues in the US (Percent of those who say issue is very important)



Source: Louis Harris and Associates for Steelcase US

somewhat satisfied in these areas.

But office arrangement, privacy and seating are important issues with office workers. The survey also shows that workers are now less likely to smoke in

their work areas. In all, 37% of employees consider that people who smoke are "a serious problem" for others in getting their work done.

Michael Wiltshire

The impact of new facsimile systems

A boon for smaller businesses



Facsimile machines and personal computers can communicate directly with Pitney Bowes' 'Path 1' system. Materials can be displayed on the computer screen, merged with word processing documents, edited and sent back to the fax for hard copy distribution through the international fax network.

which had fallen to about £3,000 in 1984. Today, an entry-level machine sells for under £2,000 and it is expected that this figure will fall below £1,500 next year.

In fact, machines are sometimes obtainable at this price and there is talk of the £1,000 machine on the horizon. The advent of these machines will bring fax out from the specialist distributor into the High Street where this equipment will be sold by Dixons' Business Centres and similar outlets.

The facsimile market is at a watershed with the manufacturers all striving to focus on an as yet not fully defined emerging market as well as aiming to provide effective machines to meet the needs of the advanced customer.

The rapid growth cannot be attributed to any one single factor. Benefits include the unique ability to send graphic information as well as text; improved technology within the fax machines which increases the speed of operation and hence reduces the duration and cost of the necessary telephone connection; and simplicity of operation. In fact, since 1984/85 there has been major growth with today's installed base is doubling annually.

Mr Malcolm Acres, head of facsimile marketing at British Telecom International and chairman of the marketing committee of the IFIOC (British Facsimile Industry Consultative Committee), makes the point that the falling cost of fax is bringing it within the budget of a growing number of companies.

For example, when the Group 3 digital facsimile machines (the most widely used group) were introduced in 1984/85 they cost around £4,500 - a figure

the document to be sent look "professional".

Even where the businessman cannot type, he can take a sheet of stationery and, if necessary, handwrite his letter, memo or purchase order - and then sending it is really no more complicated than making a telephone call.

In addition to being of great assistance to busy executives, fax is now becoming the ideal tool for those who are not geared to the generation of paperwork. And information loses all or some of its value as a result of delays in it arriving when needed. Here fax removes a fundamental bottleneck within the organisation as there need be no loss of time in submitting management reports.

If the required information exists, even in hand-written form, it can be sent without delay. Similarly, by supplying low-cost fax machines to salesmen operating from home, companies will keep in far better touch with them and so result in a more efficient sales force. For example, requests for quotations will be sent to the office without any of the errors that can result from verbal requests; as can memo requests containing answers to specific customer problems.

For those who need immediacy, and can justify paying for it, it is even possible to have mobile facsimile. Portable Data Communications has just announced a complete cellular radio kit which comes completely equipped, including a source of 230V running from the vehicle's battery, to allow the user to install a Sharp model FO-200 and thus be able to send or receive fax messages via the airwaves.

Industry and commerce relies on the infrastructure provided by a large number of medium and small companies. Many of these, especially the small businesses, are frequently strong on expertise but may be somewhat lacking in administrative and secretarial effort.

One outcome of this can be misunderstandings on what has been agreed, when it due and finally, delays in payment. The convenience of being able to deliver immediately to over 100 countries around the world is also coupled with the recognition that someone must ultimately deliver the goods. Thus, swiftly written confirmations by fax, rather than by telephone and letter, offer big advantages to many businesses.

Adrian Morris

AS YOUR BUSINESS

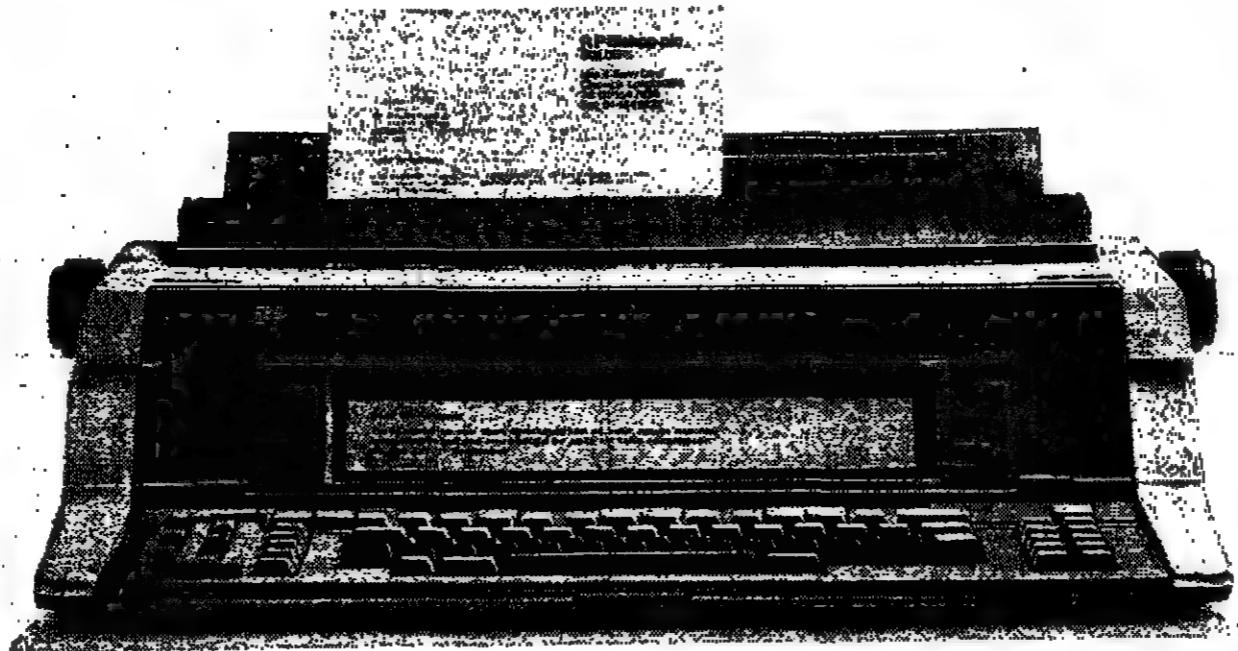
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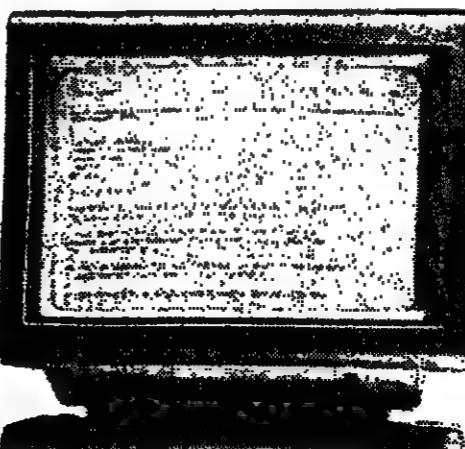


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OFFICE EQUIPMENT 8

Office computer systems

Setting the right standard

THE AVAILABILITY of a de facto standard for business microcomputers in the form of the IBM Personal Computer has been one of the main contributing factors to their explosive growth in the office world over the last five years.

IBM launched its PC as an open system, which meant that technically anybody was allowed to imitate the hardware design to manufacture a computer which runs Microsoft's MS-DOS, the standard IBM PC operating system.

Despite the fact that this gave IBM the first crack at the whip, it has not deterred the rest of the industry from adopting MS-DOS as a standard.

Some standards take too long to surface, particularly if within official standards bodies where it is not uncommon for a gaggle of interest groups to painstakingly argue for years over the wording of specific clauses.

When a company like IBM takes the initiative as it did with the launch of the PC, it creates a de facto standard. A standard is by definition not proprietary and IBM is no longer the sole supplier of MS-DOS-based personal computers. In fact, it is no longer even the largest. Olivetti is the biggest, according to Mr Paul Alderson, national accounts manager at Microsoft.

There are currently 11m MS-DOS users. Mr Alderson says that the standard no longer belongs to Microsoft or to IBM, or even to Intel (the manufacturer of the chip which powers the PC), but to those 11m users.

The existence of this standard has constituted the first step towards providing a coherent

voice for the microcomputer industry. In March this year, the British Microcomputer Federation (BMF) was formed under the chairmanship of Mr David Fraser, managing director of Microsoft UK.

The charter of the BMF is to represent the entire industry including hardware, software, distributors, dealers, services and media, each of which have sub-committees and working parties.

The charter came about as a result of ad hoc requests from governmental users who felt that the industry was a completely amorphous group of businesses with no particular views on issues affecting them.

To be taken seriously, a fledgling organisation such as the BMF has to tread a delicate path between being seen to be campaigning vigorously on behalf of its members, while at the same time not upsetting powerful and entrenched interests too much.

In July, the BMF issued a statement opposing the latest BBC approval for the Acorn Archimedes microcomputer, expressing concern over the implications for educational aims but we want to be an umbrella organisation with wider standardisation and development.

The new Acorn Archimedes is an advanced microcomputer employing the very latest in Reduced Instruction Set Computer (RISC) technology. As such, it is a powerful but somewhat idiosyncratic machine, introduced

at a time when the trend in the industry is to offer micros based on MS-DOS.

The BMF believes that the BBC's approval of the machine will worsen an already damaged situation in computer education both in curriculum planning and on its long-term relevance to national and industrial needs.

This, according to Mr Fraser, will result in students being poorly prepared for industry, needing expensive and time-consuming retraining in an industry which is already suffering from serious skills shortages.

Alleviating this problem, he says, requires consistent standards and policies - not further obstacles presented by an entirely new "approved" system.

We do not want to go to war over this issue because we are still young and do not have the time and energy for it. Five years ago, when the BBC first endorsed the Acorn Micro, there were no real standards, but today, the IBM PC is the standard, certainly in the business world."

After issuing the statement, Mr Fraser wrote to the BBC on behalf of the BMF, pointing out that Acorn computers do not support current standards, to which Mr Peter Arnold-Barker, chief executive of the BBC, replied that software provided for MS-DOS, but ultimately the argument for standards will win the day.

Regardless of who is right or wrong, there are at present many more MS-DOS machines in the educational field than there are Acorns and BBCs in offices.

Boris Sedakov

Refurbishment case study: Mercantile Credit

Flexible system a key requirement

MERCANTILE CREDIT, one of the UK's largest finance houses and a subsidiary of Barclays Bank, is in the process of refurbishing its London offices, using Wes-Group furniture from Westinghouse Furniture Systems on nine floors of the building.

Although the structure of the London offices at Elizabeth House was sound, the refurbishment programme required a lot of work," says Mr Chris Best, the premises manager. The project involved attention to roofing,

ceilings, heating and air-conditioning systems. New computer equipment has been installed and the entire building has been networked for communications.

Flexibility to allow for changes in office planning was a key requirement in the selection of furniture systems for the project. Therefore, after extensive research as well as visits to other users of the Wes-Group range, Mercantile placed a £500,000 order with Westinghouse, which is based at Fitzroy

Street, London. More than two-thirds of the Mercantile building is being fitted with the furniture range which will be used by around 600 people. The remainder of the building is divided mainly into more traditional cellular offices.

The installation, which is scheduled to take 18 months, involves 120 workstations on all the nine floors - each level is taking around ten weeks to complete since the refurbishment project involves extensive alterations, plus the installation of air-conditioning, carpeting as well as furnishing.

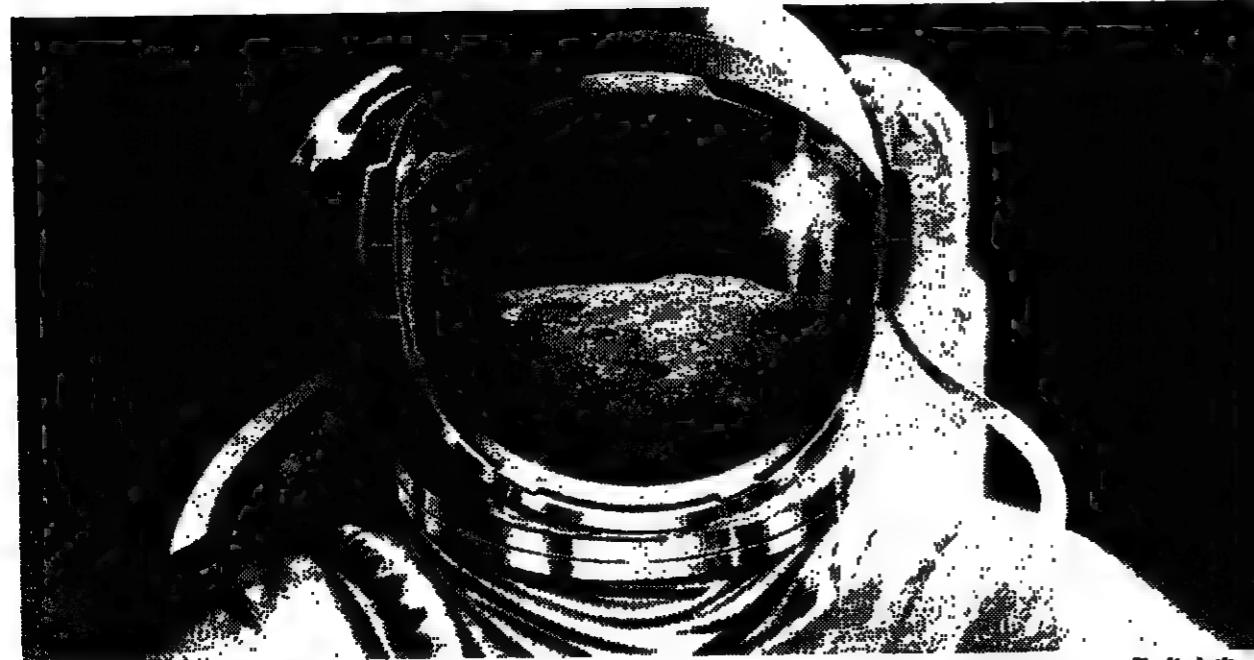
Mercantile previously used traditional furniture with a high proportion of cellular offices, but the reaction of staff to the new systems furniture has been "very favourable", says Mr Best. But there was some initial resistance to change, he admits - for example, "people may miss the old-style filing cabinets, but we are hoping to solve this problem in most cases with extra storage facilities under-

neth work surfaces. It's just a case of going back to each department and adding the final touches, once the main installation is completed."

Mercantile chose different colour schemes for various floors, such as coral, light grey and light green with uniform soft grey work-surfaces.

"Since all the floors are very similar it seemed a good idea to have a change of colour on each level, simply so that people could readily identify various areas," adds Mr Best.

M.W.

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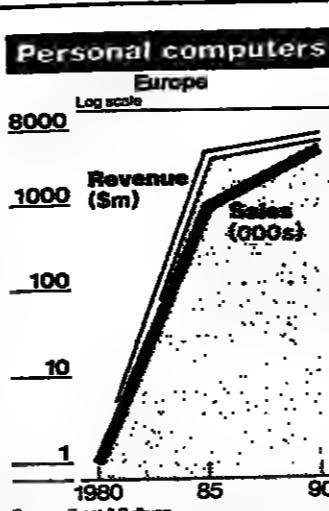


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Working away from the office

Laptops in demand

AS a result of today's business pressures, coupled with the increasing use of personal computers, there is growing need for machines that the executive can transport from place to place. Even the businessman who was originally reluctant to learn to type, not only takes a computer home, so as to complete a task, he frequently wishes to take it on his travels.

The outcome of improving technology is that the portable computers, about the size of a washing machine, have given way to laptops. Certain of these are powerful enough to meet most office needs while others, at the sacrifice of some power (specifically in terms of memory, speed and disc capacity), are small and light enough to be conveniently carried by the executive when he travels by air and still offer the performance of a basic personal computer. The latter machines can be run from internal batteries or mains adaptors.

However, if one is to use a laptop computer successfully, it is necessary to appreciate the inherent limitations of such machines and the precautions that one should take to minimise the risk of losing data.

Mr Peter Scatthard, marketing manager of leading software distributor, Softsel, is well-qualified to comment on the evolving situation. He says that "fortunately, the emergence of the 'budget-priced' software market in the wake of Alan Sugar's spectacular success in 'respectabilising' the low-priced clone market may offer the solution." Software houses after software house has reacted to the prospect of this potentially huge market by either reintroducing old, 'obsolete' (and usually less 'bell and whistle'-encumbered and therefore less memory-hungry) packages, or by launching 'cut-down' versions of their current full-function products.

In either case, upward file compatibility is usually assured, and the requirements of space efficiency, adequate functionality, and integration with office-based PC systems, are often ideally met by such products, certainly in some fields as word processing, where the mobile manager, equipped with his laptop, is unlikely to require much more than the basics of text entry, elementary text manipulation, and basic editing. But leaving the more sophisticated functions to his secretary, says Mr Scatthard.

However, he does make the caveat that this argument may fall down with complex applications such as word processing spread sheets, etc. There are risks associated with carrying such equipment. Even though, at one time, there was a risk to photographic film, today there are assurances that these machines are perfectly safe. There are, unfortunately, no such assurances where computers are concerned.

So what are the risks? X-rays are radiation of a similar nature to that of light, but they can penetrate considerable thicknesses of substances which are opaque to light. Thus integrated circuits, the silicon chips used in micros, are susceptible to damage by static or other forms of stress.

In fact, a method used to

erase EPROMs or erasable, programmable read-only memories is deliberately to expose them to UV light. X-rays are also photons - albeit at a different wave-length - and could damage a chip in a totally unpredictable manner. This could affect the the operation of the PC itself.

Similarly, when computer discs are exposed to X-rays the data contained can be corrupted. So what should travellers do who are carrying such equipment?

When at the airport, explain to the security staff that you have a computer and discs that are susceptible to damage. Request them to examine the equipment visually.

Obviously, it is sensible to have everything conveniently to

hand and not buried deep in any baggage. In addition, even with the best will in the world, events can still go wrong. Therefore, ensure that there are two or more back-up copies elsewhere and avoid copy-protected software.

Vendors' copy-protect software is designed to prevent it being pirated. It does result in a great deal of inconvenience to licensed users who need to make legitimate copies. Although all responsible vendors will replace (but sometimes make a charge for) any copy-protected software which gets corrupted, the costs in time - even if not in money - would be totally unacceptable.

As a satisfied user of Microsoft's Word, one of the most powerful word processing packages on the market, I had hoped to be able to use Word Junior for WP while on the move.

Unfortunately, Word Junior disqualified itself by being copy-protected. However, as Mr Scatthard points out, other vendors address this problem. For example, there are two Volkswriter programmes: the sophisticated Volkswriter 3 for the office and the lower cost simpler Volkswriter de luxe which will probably meet one's needs on the move.

Similarly, Word Perfect Corporation has introduced a new product, Incorporating word processing, spread sheet analysis and information/time management facilities aimed specifically at business executives using portable computers.

A software and a hardware supplier have combined to address the overall problem. Migen has put its integrated package, Ability Plus, together with Goupil's Club lap-top to provide a package which, according to Migen's sales director, Jan Feaster, "gives the executive the power to do the budget, calculate sales quotas, enter call reports and then send them back to the office through the communications option."

So what are other risks are there? When buying a lap top to take on one's travels make sure that it is possible to recharge its batteries wherever you go.

If you need to travel to there, how will you be able to recharge the batteries in your machine? In future, one can expect a machine which automatically adjusts itself to the mains voltage to which it is connected. Hence, the traveller will find work with a computer less of a hazard.

Adrian Morant

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OFFICE EQUIPMENT 9

Competition intensifies in computer-related furniture market

Systems sector sets the pace

BRITAIN'S office furniture market has been riding the crest of the wave with strong demand for its products in the last five years, comments Jean Davis, a market analyst with the National Business Equipment Survey.

Last year was one of "outstanding growth" for many manufacturers, while a majority of suppliers - 59% - are reporting a rise in company profits for the period April-September 1987. In particular, the market for integrated systems furniture grew by 15% and by March this year rose in value to around £141m. The biggest orders were largely derived from the financial, banking and insurance sectors of UK industry. InterCraft Designs, for example, have now installed over 5,000 dealing desks in the City of London.

At least 14 companies saw sales growth of more than 30% in the three-year period to April, last year. They include such industry leaders as Steelcase Strafor, OKI, Ecelpu, Herman Miller, Ford, Durex and Barnes. Project Office Furniture is "clearly the outstanding industry performer" according to a recent report on the contract furnishing industry.¹

Analysts estimate that half the furniture systems sold in the UK are imported, the remaining half being either manufactured or assembled in part in Britain. The value of systems furniture far outstrips those of any other office furniture sector, making up 35% of last year's total market in the UK - or double the value of sales for seating, desking and filing. Three times the level recorded for conventional three- and four-drawer filing, storage and storage furniture.

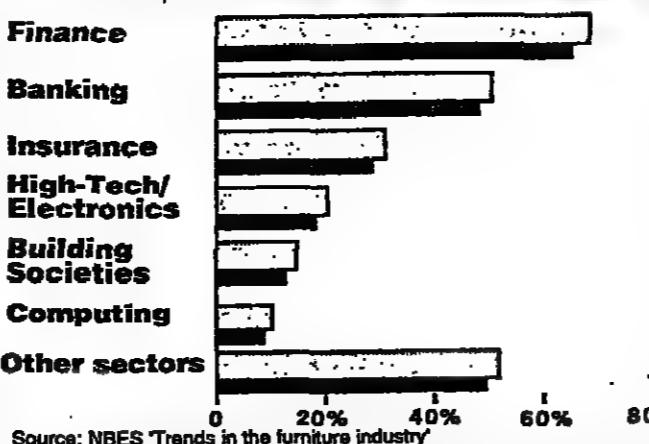
By 1990, these systems could account for nearly half the UK office furniture market, according to some manufacturers.

The cost of individual workstations varies considerably, according to the systems installed. Merchants banks, for example, may spend from £2,000 to £2,000 for individual workstations for senior executives.

Herman Miller's "Action Office" system, for example, varies from £750 to £3,000, while the newer Ethospace system can start at £1,500 for a workstation.

Scott Howard, another manufacturer, suggests that: "The £1,200 workstation would be a useful guideline in industry price positioning." Black Arrow, with a turnover of £25m, suggests that the cost of such units is rising steadily from between £600 and as high as £2,000. The company, which offers package solutions to office furnishings, has just completed a £2m contract at Grant Thornton, the London accountancy firm, using Logic and Baltic E-desking and

Target furniture markets



Source: NBES Trends in the furniture industry

storage units, Giroflex seating and 35 lateral storage units.

Despite the boom in systems furniture, there is evidence that some systems suppliers are determined to broaden their target markets away from traditional client bases. For four out of five major product categories making up the market, demand is not growing at the pace of the previous six months, says NBES.

Fewer manufacturers are reporting rises in sales for storage, worksurfaces, seating and lighting - the only exception being screening, where there has been no change in the number of companies selling it.

This is a market which is heavily dependent on home sales and also showing some warning indicators of a slowdown in growth bound to produce even more intense competition and discounting.

Herman Miller, the pioneer systems manufacturer, confirms that the UK market is changing rapidly. Miller achieved major expansion in the 1970s and early 1980s with the growth of the information technology companies.

A second wave of expansion seems to be occurring in financial services, but there are signs that this is topping out, says Miller's European vice-president, Mr David Hutt.

"We are not placing all our resources in the financial market," he says. "Larger companies in the industrial sector are now making substantial investment in the white collar work force and upgrading their office facilities. This represents a tremendous 'third wave' for us."

Mr Gautam Barua, director of NBES, concludes that manufacturers in their systems sector will continue to find sales buoyant and that 15% growth rate will continue until at least the first quarter of 1988. But he expects that the cyclical pattern of UK demand "may well produce a drop in growth rate from the second quarter of next year."

Project, which claims to be Britain's largest manufacturer of office furniture with sales of £750m to £2,000, while the newer Ethospace system can start at £1,500 for a workstation.

Scott Howard, another manufacturer, suggests that: "The £1,200 workstation would be a useful guideline in industry price positioning." Black Arrow, with a turnover of £25m, suggests that the cost of such units is rising steadily from between £600 and as high as £2,000. The company, which offers package solutions to office furnishings, has just completed a £2m contract at Grant Thornton, the London accountancy firm, using Logic and Baltic E-desking and

sales in the \$2.2bn European office furniture market.

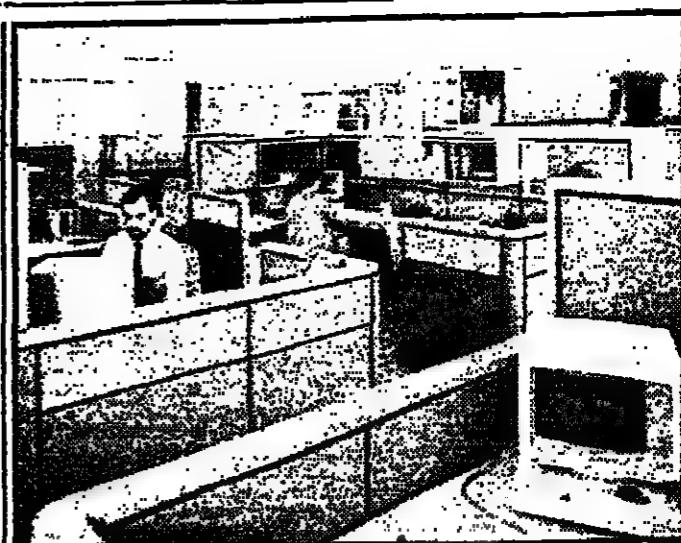
For example, Lucas, a long-established independent UK company with a turnover of £1m a year, will be exhibiting for the first time at this month's prestigious Milan Furniture Fair - with the largest stand within the Contract Design Association's area of the show. Lucas will be featuring its Programme 2 system.

Increasing numbers of new systems are being launched, says Mrs Cherrill Scheer, chairman of the furniture division of the Business Equipment and Information Technology Association and director of group marketing at Hille Ergonomics. For example, Aronson International, manufacturers of the President range, launched its "A System" last month to meet the demand of smaller offices.

Steelcase (UK) is part of Steelcase Strafor, Europe's largest office furniture manufacturer and supplier, with sales of more than £200m in 15 countries across Europe. It is part of the Steelcase group of Grand Rapids, Michigan, the world's largest office furniture manufacturer, with a turnover exceeding \$1.5bn. The total operation covers 47 countries, employing 15,000 people worldwide.

In the face of imports of furniture to the UK - now around 27% and coming mainly from West Germany, Italy and Scandinavia - manufacturers in Britain are nevertheless looking for wider

Michael Wiltshire



A section of the refurbished head office of S & Q, the DIY chain, where Vickers' System E90 has been installed. This comprehensive British-made furniture system can be used in both panel-hung or free-standing arrangements - or any combination of the two.

Vickers' £33m expansion plan

VICKERS, the UK manufacturing group, has committed £33m for the expansion of its office furniture business with the acquisition of a leading European chair manufacturer, Comforto, and for the development of Vickers' UK plant at Crayford and Dartford in Kent.

Vickers' furniture, with a turnover of more than £25m, is a major supplier of storage systems and claims to have captured 10 per cent of the UK's fast-growing systems furniture market with its advanced System E90 which can be customised to suit clients' individual needs. In addition to a new 150,000 sq ft factory at Crayford, Vickers has opened a new showroom in the West End as part of its plan for 20% growth in the next three years.

Vickers is one of the first companies in the industry to link the design and marketing departments under one director - Mr Roy Rose - with the aim of keeping ahead of design requirements in a fast-changing sector. Vickers' long client list includes bank and insurance groups and ranges from such companies as the Wellcome Foundation and Ford Motors.

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Mrs Margaret Thatcher, the Prime Minister, is shown an office desk made specially for her by Project, the Suffolk-based furniture company. Project's managing director, Mr Charles Mason is seen here (right). The brief from Mrs Thatcher to produce her 'dream' office for the Top Office Exhibition at London's Business Design Centre this summer was another milestone for the company which now has sales of over £34m a year, nine times greater than they were a decade ago.

OFFICE EQUIPMENT 10

International manufacturing profile: Herman Miller

Sales now at record levels

HERMAN MILLER, the US company that helped to pioneer the multi-billion dollar systems furniture industry with the launch of its well-known Action Office system, 17 years ago, has seen substantial sales in the last six months with its new system, Ethospace.

Even so, sales of its Action Office system, now used by 3m people worldwide, are still growing strongly. It has been recognised by the design community in the US as "the most widely copied and most influential design" in the office furniture industry.

Herman Miller was listed among the top ten "most admired corporations" in America in this year's poll by *Fortune* magazine. The company, along with other leading suppliers in the office furniture sector, has, however, seen a slight levelling off in the system's boom in the last year, but this situation is already improving. Miller's earnings per share slipped for the first time ever last year.

Results for fiscal year 1987 show Miller's sales are up, but profits down slightly. US sales increased to \$872.5m from \$531.6m for the previous year. Net sales of foreign operations for fiscal 1987 were \$59.8m compared to \$50.4m the year before. Orders in the US and UK are now at record levels, says Mr David Hutt, Miller's European vice-president.

In Britain, Miller's new managing director, Mr Hugh Paul, says that the company has just under 20 per cent of the £120m systems furniture market in the UK. Some analysts put the systems market at nearer £141m, but this depends on the way the market is defined.

The group's headquarters is in Zeeland, Michigan, a small



Mr David Hutt, European Vice-President for Herman Miller, confirms that the market in Britain for systems furniture, though buoyant, is changing rapidly. He sees a significant area for growth in the industrial sector, where larger companies are making substantial investments to upgrade their office facilities.

average annual growth rate in the ten-year period was 30 per cent.

Although Herman Miller is regarded as a supplier of up-market ranges which include its Burdick group of executive desks (named after its designer), the company says that

more than 80 per cent of its orders in the US are for less than \$5,000—although big individual orders have exceeded \$10m. The company has more than 200 dealer showrooms across the US and a fleet of 270 trucks to deliver orders. In all, the company has dealings in 65 countries.

Miller recently introduced its "Promise" programme which gives all US customers certain product warranties for five years, plus audits after installation, a 100 per cent trade-in value on Ethospace frames and guaranteed move-in dates for projects.

Miller's Burdick range can be found in such diverse locations as the Hong Kong and Shanghai Bank, at General Motors' office in the US, the Epcot Center in Florida, the cafeteria of Foote, Cone and Belding in Chicago, among BMW cars in a Manhattan showroom and in the dining room of the architect Jose Lembert in San Francisco.

The company is notable for its Scanlon plan—a system of wide employee participation and shareholding.

To exemplify the Miller mandate ("We are committed to quality and excellence in all that we do and the way in which we do it"), no product in the early days of the company could leave the factory until it had been inspected and initialed in yellow crayon by "DJ" or his sons, Hugh and Max.

Beyond Michigan, the company's main facilities are located at Toronto, Canada; Bath and Chippenham in the UK; Croissy-Beaubourg in France; plus licensees and dealerships all over the free world.

Michael Wiltshire

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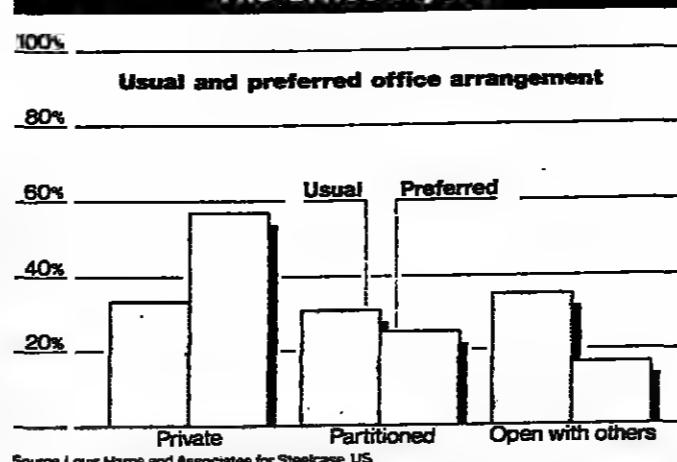


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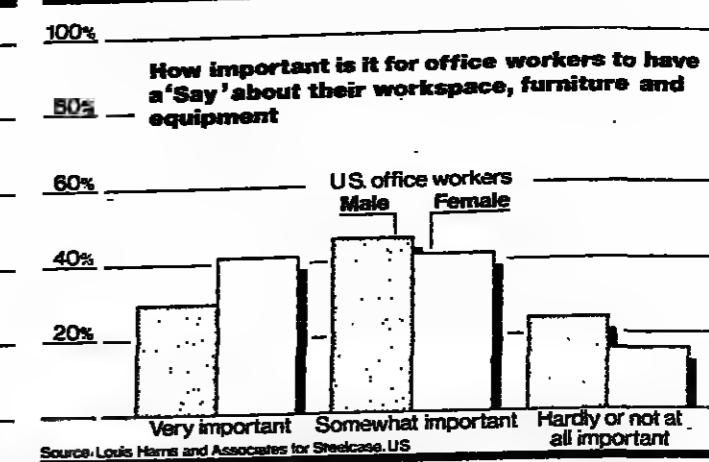
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The office layout



Decisions on planning



Views on key aspects of office planning in the US are shown above, following interviews with 1,600 full-time office workers, senior executives, facility manager and designers.

Designers have stronger influence

OFFICE DESIGNERS are a growing force in the lively marketplace for office furniture systems, particularly in the U.S. and Britain. The architectural and design community is where the future is—designers are the key to new business," says Robert Webster, managing director of Marcatre, a UK company which has been built on design com-

mands and Tokyo. In New York, these are week-long events, involving more than 50 leading companies.

The next Designers' Saturday in London on October 17 will involve 22 manufacturers and suppliers. Meanwhile, a number of London conferences are planned on the theme of office design and the intelligent building. They include:

• "Servicing the Intelligent Building", November 29, 1987 at the Sedgwick Centre. Organised by Facilities; details on 035 6667.

• "Intelligent Buildings—applications of information technology and building automation in high technology construction project," December 7-9, 1987 at the Mount Royal Hotel, Marble Arch; organised by Unicom Seminars (081 56484).

• "High Tech Buildings" - October 26-28, 1987, the Barbican Centre. Details from Online International on 081 4466. M.W.

Response to higher user demands

THE DAY may not be far off when a satellite dish and PAXE will be installed at a construction site before the building is constructed around it. As technology progresses, computers and telephone switchboards may come and go within a building but the last thing an organisation will want to do is to rip out the cabling every time a system is replaced.

Architects need to be 'open' to cope with accelerating change. This applies both to traditional building architectures and to the more intangible concept of systems architectures.

A common trend is for both types of architectures to be integrated into one concept—that of the 'intelligent' building.

Within the lifetime of an organisation, even buildings will have finite life-cycles—life-cycles which are becoming shorter all the time compared to those for buildings constructed in previous centuries which are still very active to this day, though constrained in their functionality and their ability to cope with increasingly truncated office equipment and systems life-cycles.

The building shells of today may have a life expectancy of 12 to 50 years, as opposed to three to seven years for office equipment and systems. There are different lifecycles for component of an open systems model.

The Japanese have latched onto intelligent buildings in the most extraordinary way, says Dr Francis Duffy, partner at DEGW Architects. "The idea that a building is a responsive mechanism, and not just a pile of bricks and steel, seems very attractive to them. NTT, the Japanese PTT, has set up a building development company which embraces this concept."

In the US, where the term intelligent building was first coined, the deregulation of AT&T and increased competition in the telecommunications marketplace has been compounded with an office space overbuild situation in cities like Dallas, Houston and Denver.

Telecommunications companies and office developers are both desperate for customers so the idea of intelligent buildings is also attractive, so the development of intelligent buildings in the US has been vendor-driven," he says.

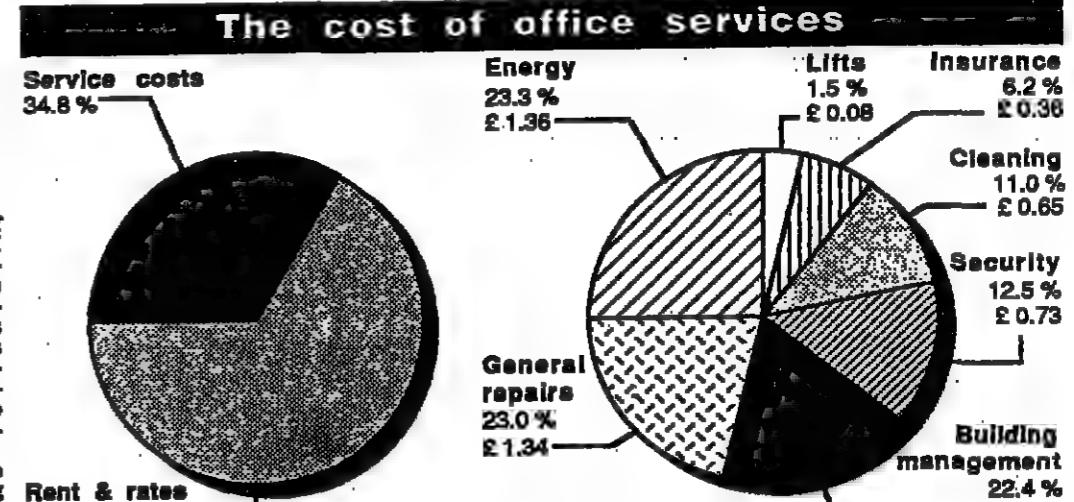
AT&T offers its Premise Distribution System (PDS) in this area. PDS is a wiring system for high tech buildings, capable of carrying voice, data and image communications. It uses fibre optics for fast telecommunications between floors in the risers of buildings and unshielded twisted copper pairs along the floors.

Copper pairs will probably be used over the next 15 years when they will eventually become totally replaced by optical fibres. PDS can be retrofitted to existing buildings, says Dr Duffy.

AT&T bore the brunt of the deregulation of the Bell System monopoly, so it has been extremely anxious to find ways to move on from public networks and to develop telecommunications internally in companies, he adds.

"BP actually retrofitted a similar custom-built system at its Moorgate office in London five years ago, so technically there is nothing new in PDS, but what is interesting about the AT&T approach is that it is trying to sell it as a product. Whereas BP looked at it as a one-off technical problem, AT&T appears to

Era of the intelligent building



This diagram shows: (a) The relative importance of the different component costs in 1986 as a percentage of average total costs
(b) Service costs in £ per Sq.Ft.

Source: The 1987 Update Scope Report by Space Planning Services

be looking at it as a marketing problem.

Retrofitting is a very important facility. If we add to the stock of office space by about three percent a year, there is a 40-year cycle turnover. Architects are trained to think in terms of new buildings, but the majority of design problems have to address the better use of the existing stock of buildings," he says.

Eventually, users will want to hook up workstations as if they are plugging in a new telephone. When a company automates, probably one of the last things it will consider is the cabling to connect computers together.

Treating cabling as an after-thought can be expensive. In many older buildings, particularly around the city, ceiling conduit is filled to maximum capacity—there may be no room for additional cable to go only.

"All buildings are going to have much shorter life-cycles than they did in the past. I think the city is going to be much more unstable. What will happen is that buildings will be replaced at increasingly rapid intervals."

The reason, he suggests, is that over the last 20 years, much more money is being spent on mechanical, electrical and telecommunications services, and on fitting out the furniture, partitions, lighting and so on, than on the architecture—the foundations, the roof, and the walls.

In Scandinavia and Germany, because of workers' councils and industrial relations laws, people who build have to consult with the users before they build them. The new Northern European buildings are cellular. Eventually, all office buildings will have to become more responsive to user demands.

Boris Sedlacek

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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Monday September 14 1987



INTERNATIONAL BONDS

Global retreat could prompt shakeout in London Eurobonds

THE GREY rain clouds which blew in over London at the weekend provided a fitting end to a week of almost unmitigated gloom in the Eurobond market, writes Stephen Fidler in London.

In this environment, Friday's announcement of a record monthly US trade deficit of \$16.47bn in July, merely provided a sharp, well-aimed kick for a market already on its knees. Most people in London had gone home before the late technical fillip in the New York market.

Bond yields in most major currencies seemed to be on an inexorable path upwards while a complete absence of investor interest meant that last week's was about the smallest crop of new issues seen in the Eurobond market this year.

Even those bonds in more exotic currencies favoured by smaller investors, which hitherto have escaped the general malaise, were dragged down.

Most disturbing, though, was the way yields in the Japanese and West German bond markets have convincingly disengaged them-

selves from the path of the dollar.

In happier times, worries about a sliding dollar would have prompted a rally in D-Mark and Japanese yen bond prices because of prospects for currency appreciation. When the dollar drops these days, so does the US Treasury bond market and its Japanese and German counterparts.

"The worry is that we are seeing a cyclical rise in world interest rates and it's difficult to see what's going to break that cycle," said a syndicate official at a US firm.

The fear, as explained by Nomura International, is that US interest rates may have to rise so much further, which means that yen and D-Mark rates could rise and still remain relatively lower."

So, if the final nails are being driven into the coffin of a five-year bull market in bonds worldwide, the Eurobond market suffers what Americans call a double-whammy.

Typically, in bear markets, there is a flight to liquidity which often leads Eurobond prices to fall more sharply than more liquid govern-

ment bonds. Investors are willing to give up more yield for the comfort of knowing that they can quickly get out of their investment.

Liquidity has long been a problem for the Eurobond market, but these days it is subject to more competition from government bond markets as restrictions are lifted on capital movements and foreigners are allowed easier access to domestic markets.

Some firms have suggested that the guarantee to Eurobond market liquidity can only be provided by large issues for top borrowers which would always be actively traded.

The World Bank's issue last week, Y50bn of five-year bonds led by Nomura International, probably was intended to fit into this category. With a maturity reduced from seven years to cater for investor caution, the issue went ahead and was, by common consent, priced just right.

Nevertheless, sentiment in Tokyo was such that the lead manager said none of the issue was placed in

Japan, and the feeling in London was that it would be some time before the issue is out of the hands of dealers.

If things were bad in the yen bond market, they were awful in the dollar sector. Not one new Eurodollar straight was brought to a market transfixed in anticipation of the trade figures. When they came,

the immediate chances for a launch of Italy's much-talked-about \$1bn bond issue, said to be for three years and, at a yield of 60 basis points over the US Treasury bond, seemed to have been sunk.

The late Friday rally in New York may help improve the environment for the Italy issue by this morning. But many Eurobond dealers think

that Credit Suisse First Boston, said to be lead managing it, would be well advised to aim for \$500m, perhaps raising the rest later with a fungible issue.

Such bonds are, in the words of one syndicate manager, "a service to the issuers." Since there is little prospect for immediate retail demand, dealers must take on the paper, hedging as best they can their interest rate exposure.

This is a political element to all this. "If we can't bring issues such as these to the market, then we have truly lost the right to call ourselves a bond market," said that same syndicate head.

The problem for the Eurobond market is that there is no long-term undertaking to bring such issues in times of unsettled markets. While the US Treasury can issue its paper come hell or high water, because US primary dealers undertake to underwrite all new Treasury bonds, there is no such commitment from dealers to the issuers in the Eurobond market.

That is true despite the compara-

tive numbers. While a handful of firms dominate the US market, some 50 or so claim to be competing for new issue business in the Eurobond market.

It is this overcrowding which explains why the gloom was so predominant in the market last week. The feeling at many firms is that the current retreat of the bond markets will provide the catalyst for the long-awaited shakeout of the London Eurobond market.

In a rising market, even a firm without any customers can make money. It buys bonds, holds them and sells them later at a higher price. Whether this is the best way to speculate on interest rates is another matter.

When the market starts to fall, and even those firms with big teams of high-pressure sales people cannot persuade their customers to buy paper, then the equation looks different. So, the market concentrates and shrinks.

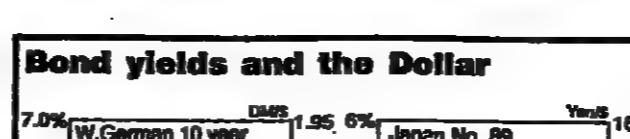
None of this is of course surprising, and it has been anticipated by a lot of securities firms, which have

been moving Eurobonds experts into other sectors, such as international equities.

While world stock markets are looking healthier than their bond counterparts, this is of course fine. Equity-linked bond issues can continue to provide grist for the bond market machinery while fees are earned managing international share offerings. How long this can go on depends, though, rather critically on continued strength in stock markets.

In the old days, securities firms would respond to fears of higher interest rates by bringing to market floating-rate notes, the alleged perfect instrument for defensive investors in an environment of rising interest rates.

The question now is whether the FRN market has shot its bolt. The marketability of these instruments can, as shown in the market collapse earlier this year, evaporate suddenly leaving investors unable to rid themselves of their paper. Who says the syndicated loan is dead?



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INTERNATIONAL CREDITS

Hopes rise for lifting of block to new Spanish borrowings

HOPES are beginning to rise that the effective block to new Spanish borrowing in the international loans market - the rescheduling of the loans of the electrical utility Fuerzas Electricas de Cataluna (Feca) - may soon be lifted, write Alexander Nicol and Stephen Fidler in London.

Bank negotiators return to Spain this week for detailed negotiations with Feca representatives, after presenting their proposals to company and government officials last week.

Those proposals are thought to get fairly close to Feca's own re-

quest for a spreading out of repayments over 10 years. They also call, among other things, for an injection of more capital, improved compensation arrangements, and a refinancing of domestic bond issues at lower interest rates.

A queue of would-be Spanish borrowers is thought to be eagerly awaiting successful conclusion to the talks.

After a long and chequered history, the \$1.5bn aircraft financing for the GPA Group, the operating lease company, is set to be signed a week tomorrow.

But there is an interesting twist. In an apparent attempt to secure the goodwill of the 11 banks underwriting the transaction, all left with a bigger stake than they originally bargained for, the borrower has promised a secondary syndication of the credit in six to nine months' time.

This unusual step is because the borrower, in addition to the up to 70 Boeing 737s being financed by the present facility, will be hoping for further separate financings for joint ventures with the like of Fokker and Airbus.

Japanese banks have agreed to

take a total of \$350m of the deal.

Taipei has also surfaced of a big multi-option facility for a major airline. So far, only the Antipodes Airlines, Ansett, Australian Airlines and Air New Zealand have used such financings.

Guinness, the UK brewer, is understood, however, to have shelved its plans for a £1bn multi-option facility. The suggestion was that, to the chagrin of the banks seeking the mandate, the publicity which surrounded the financing piqued the borrower.

National Mutual Royal Bank, an

Australian bank formed only last year, has arranged a \$200m Euro-commercial paper programme through Orion Royal Bank. Additional dealers are Credit Suisse First Boston, Morgan Guaranty and Swiss Bank Corporation International. The borrower is owned jointly by Royal Bank of Canada and National Mutual Life Association of Australasia.

Scapa Group, a UK manufacturer of machinery for the paper and textile industries, has arranged a \$50m programme claimed by Barclays de Zoete Wedd to be the 100th so far announced in the 16-month-old sterling commercial paper market. Mid-

land Montagu Commercial Paper is also a dealer.

Agricultural Mortgage Corporation, a UK farm lending institution owned jointly by the UK clearing banks and the Bank of England, is seeking a £100m eight-year multi-option facility now being syndicated by National Westminster Bank.

Blandin Paper, a specialist Minnesota paper manufacturer, is seeking \$90m through a revolving credit in the Euromarkets as part of a \$275m financing for plant expansion - the remainder has been raised through a \$185m private placement in New York. Salomon

Brothers International has syndicated the deal which is divided into two tranches.

A \$30m seven-year bullet financing carries a margin of 75 basis points above Libor and a commitment fee of 37/4 basis points. A \$40m six-year tranche, with four years grace, has a one percentage point spread over Libor and a 25 basis point commitment fee.

Blandin Paper is a subsidiary of British Columbia Forest Products, which in turn is 48 per cent owned by Fletcher Challenge of New Zealand. But the borrowing is without parental guarantee.

EUROMARKET TURNOVER					
		Conv	FRN	Other	Total
Primary Market					
US\$	1,911.7	182.8	230.0	5,914.9	
Prev	1,974.4	2.8	110.0	5,921.9	
Other	73.8	—	—	252.4	
Prev	1,146.1	7.8	—	182.0	
Secondary Market					
US\$	16,858.6	7,043.4	7,970.0	4,782.5	
Prev	15,570.2	5,817.7	7,480.4	3,220.2	
Other	18,201.7	1,252.7	3,525.6	1,177.4	
Prev	18,949.1	52,780.8	4,158.2	12,192.4	

Week to September 10 1987 Source: ABD



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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Agip may take stake in Angola's largest oil field

BY PAUL BETTS IN LUANDA

AGIP, the Italian state oil company, is expected to acquire a 9.8 per cent stake in Angola's largest offshore oil field in the Cabinda enclave in the north of the country.

Officials of the Angolan national oil company, Sonangol, which owns 51 per cent of the Cabinda group. The field was discovered by Gulf which has now been taken over by Chevron.

The oil field, which currently produces 240,000 barrels of good quality crude a day, is operated by Chevron-Gulf which owns at present 49 per cent of the field. Production at Cabinda is due to rise by a further 30,000 barrels a day by the end of

this year.

The Angolan Government had been actively seeking to open up the Cabinda partnership to a third party to cover itself from the possible risk of an eventual pullout from Cabinda by the US oil group. The field was discovered by Gulf which has now been taken over by Chevron.

Before the recent renewal of contacts between Washington and the Marxist Angolan regime, the Government of Luanda feared that US oil companies operating in Angola might come under pressure from the Reagan Administration to pull out of the country.

TSE to agree wider membership this year

BY YOKO SHIBATA IN TOKYO

THE TOKYO Stock Exchange (TSE) will make a formal decision on the expansion of membership at an annual general meeting of members on November 4. Mr Michio Takeuchi, president, has said:

After the decision, the TSE plans to choose new members, including foreign brokers, by the end of the year, he indicated.

The meeting decided to lower

fixed-rate membership fees for stock, convertible bond and government bond trading, effective October 5, officials said. The fixed-rate fee will drop from Y10.30 per Y10,000 of the value of transactions to Y0.27 for stocks and convertible bonds, from Y0.0011 per par value of 100 to Y0.0010 for government bonds, and from Y0.00620 to Y0.00015 for government bond futures, they said.

Rapid advance at Kubota

BY OUR TOKYO CORRESPONDENT

KUBOTA, a leading Japanese manufacturer of agricultural machinery and cast iron pipes, boosted first-quarter consolidated net profit by 46.4 per cent to Y2.4bn (\$18.5m), thanks to higher sales and the success of its cost-reduction measures.

Sales advanced by 7.8 per cent to

Y123.3bn, reflecting favourable performances in the pipe, building materials and housing divisions, benefiting from the Government's policy to expand domestic demand.

However, export sales declined 19.5 per cent from the same period last year.

Kubota's turnover rose to FF18.9bn from FF15.1bn in first half of 1986.

BSN nets FFr858m in first half

BY OUR FINANCIAL STAFF

BSN, the big French foods group, has reported a 58.9 per cent jump in net income for the first half of 1987 to FFr858m (\$14.5m) in line with group estimates and reflecting in part the merger with Générale Biscuit.

The group said it expected earnings for the whole of 1987 to rise by more than the 20 per cent predicted in mid-summer.

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Tektronix reports heavy provisions

By Our Financial Staff

TEKTRONIX, the US test and measuring instrument manufacturer, reports a big drop in first-quarter earnings as a result of provisions totalling \$6.5m, or 19 cents a share.

Net earnings for the first quarter - ending August 22 1987 - totalled \$1.75m, or five cents. For the comparable three months in 1986 Tektronix turned in net profits of \$14.6m, or 38 cents.

The group explained that \$3.4m of the provisions could have resulted from improprieties and possible fraud at its West German subsidiary. A further \$2.1m stemmed from moving expenses under investigation.

Tektronix said the West German charge reflected its estimate of reserves required to cover expected losses. It said transactions involving the German unit remained under investigation.

The charges of removals resulted from shifting production at CAE Systems from California and Texas to the group headquarters at Beaverton in Oregon.

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Asarco to sell shares in mining affiliate

BY GORDON CRAMER IN NEW YORK

ASARCO, the large but loss-making US mining group, is raising about \$400m through an international offer of shares in MTM, its Australian copper and coal producing affiliate.

The issue of 155.5m shares begins today and represents some 15.9 per cent of the Queensland company's equity. It will reduce Asarco's stake in MTM to about 19 per cent.

Asarco said it would then consider restoring a dividend on its own ordinary stock, on which no payment has been made for the last three years. It is to use the MTM proceeds to repurchase its preferred shares and repay its total \$12.6m against \$80.8m.

MTM has a nearly one-third cross-holding in Asarco, including 12 per cent which it bought two years ago.

The offer, which is to take place outside the US, is being co-ordinated

by Credit Suisse First Boston along with Potters Partners, the Melbourne stockbroker. No price has yet been given, but MTM shares jumped 22 cents in Sydney ahead of the news on Friday to A\$3.88, valuing the parcel at A\$572.6m (US\$417.4m).

Asarco said it planned to maintain its remaining stake in MTM as a long-term interest, although it would now cease equity accounting its results. The associate contributed \$19.8m in net earnings to Asarco last year when the US group produced a sharply reduced final loss of \$12.6m against \$80.8m.

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Saatchi & Saatchi bid rejected by Midland Bank

BY RICHARD WATERS

Midland Bank has rejected a proposed takeover by Saatchi & Saatchi, the advertising agency, it said yesterday.

Saatchi's proposal, which was floated at a meeting earlier this month between chairman Maurice Saatchi and Midland chairman Sir Kit McMahon, was discussed by the bank's board before being rejected.

"A merger of Midland and Saatchi would lack commercial and strategic logic," said a Midland spokesman.

A Saatchi spokesman yesterday refused to comment or deny the approach. He said, though, that Saatchi sees the financial services sector as "a very natural extension of the business service sectors that we are already in."

Neither Midland nor Saatchi, which is around half the size of the bank, would comment on whether they thought the rejection would lead to a contested bid for the bank.

The approach is being played down by Midland as "low key." The discussion between the two chairmen did not constitute a formal bid approach, it said, "and it's going a bit far to even call it a firm proposal."

INTERNATIONAL PETROLEUM INVESTMENT PROSPECTS

On the occasion of the Salons Internationaux de l'Enegie '87 - September 8-12, 1987 - Geneva, Switzerland

THE PETROCONSULTANTS SYMPOSIUM

Wednesday, 9 September - Conference Center, Palero

Opening Speech

Jean-Marc Lefevre
Symposium President, Senior Vice-President, Petroconsultants, Geneva

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Mabdi Vardi
Assistant Director Oil Research, Klinefelter, Givaudan Suisse, London

Long-Term Oil and Energy Outlook for the 1990's

George Kavvadas
Economic Advisor, International Energy Agency, Paris

Guidelines and Prospects of European Oil Companies for Future Investments in Petroleum Exploration and Production Internationalizing a National Oil Company's Entry Strategy into the Upstream Sector

Dr. Edgario Curcio
Senior Vice-President Corporate Planning, Petronas, Agip, Rome

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Christopher Goss
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India's Oil Scene

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UK COMPANY NEWS

David Waller explains why analysts are looking at ISC Thriving on Middle East conflict

EIGHTEEN British stockbroking analysts today began a round of International Signal and Control's US operations, in what must be one of the more extreme examples of fence-sitting between a company and the investing public.

ISC is the US defence contractor which, for reasons of client confidentiality, came to the UK rather than the US market in 1982. Ever since its flotation, its relationship with the City has been characterised by mutual incomprehension.

This came to a head on June 11 this year, when the company issued its 1986-87 results. At \$56.6m, profits were substantially short of the consensus forecast of \$65m, and the shares instantly collapsed, falling by 33p to 214p on that Wednesday alone, and below 200p by the beginning of the following week.

"There has to be a presumption that it will be more difficult for a non-financial institution to acquire a bank," said a Bank of England spokesman. "The approach raises fresh questions about Midland's future. Last week Hanson Trust caused a flurry of interest in the bank when it announced that it had acquired 5.8 per cent of Midland's share.

Saatchi & Saatchi also declined to comment yesterday on reports that it is set to acquire Peterson, a litigation support consultancy in the US. Saatchi already owns one of the largest consultancies in this market. Litigation support is estimated to generate \$1bn a year in the US and is said to be a rapidly growing international market.



Joseph Zilligen (left), finance director of ISC and James Guerin, executive chairman

EGS were on the faces of some of the City's most eminent brokers—one of whom had issued a weighty circular on the Monday, saying that the results "could prove to be the springboard for a rapid rise in the share price" and a well-deserved re-rating."

There proved to be an innocent explanation for the profit shortfall—it was because of a last-minute change in the way of accounting for two of the company's long-term contracts—but the re-rating went unnaturally in the opposite direction.

Only in the run up to the brokers' visit have the shares shown any sign of pulling out of the nosedive on Friday they stood at 220p.

A classic example of the City at its most irrational, argues David Owen of Savory Millin. "Between March last year and June this year, ISC's share price fell by 44 per cent at a time when earnings per share had increased by 40 per cent in sterling terms, even after a rights issue."

If evaluated on fundamentals alone, ISC has an undeniably impressive record. Founded in 1971, in the cellar of Mr Jim Guerin, the company's present chairman, ISC has grown

The international division made pre-tax profits of \$33.8m

rapidly, especially in the years since its flotation when it has expanded by acquisition in Europe and the US.

Turnover, at \$108m in 1986-87, should exceed \$1bn within two years, and pre-tax profits have grown from \$15m five years ago to between \$67m and \$90m, if accountants' forecasts should prove correct this time.

One of ISC's products is known to all aficionados of war movies: the Rockies cluster bomb. A particularly deadly, and relatively low-tech weapon, this is a free-fall canister which emits 247 bomblets during its unguided descent to the ground.

More sophisticated is the Tactical Munitions Dispenser, also made by the Margart subsidiary. On the same principle as the Rockies, it can be dropped from a lower height and the canister's descent is controlled by rocket motors. John Cheshire of James Capel expects sales of the TMD to the US government to provide ISC with business worth \$1bn over the next decade.

Besides ordnance, ISC's subsidiaries are engaged in the whole gamut of defence-related activities, which include the

last year, on turnover of \$279m—60 per cent of ISC's total profit on 45 per cent of its turnover. The company's defence and space division—which has the US government as its major customer—and its European operations, generate lower margins. They are, however,

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Holmes à Court heeds Bank advice on Standard holding

BY RICHARD WATERS

THE Bank of England is understood to have dissuaded Mr Robert Holmes à Court, the Australian financier, from raising his shareholding in Standard Chartered Bank above its present level of just under 15 per cent.

Mr Holmes à Court, one of

three white knights who saved the bank from a takeover bid by Lloyds Bank last summer, is understood to have approached the Bank of England with the proposal. It is not known how many Standard Chartered shares he hoped to acquire.

Uncertainty surrounding Stan-

dard Chartered, caused by a Department of Trade investigation into the way the Lloyd's bid was fended off, led the Bank to reject the suggestion. It is believed, As a prime mover in the defence against Lloyds, Mr Holmes à Court is likely to figure in the investigation.

Mr Holmes à Court increased his holding in Standard Chartered from around 10 per cent to the current level earlier this year.

The Bank of England has no powers to block an investor building up a stake in a bank. But the 1987 Banking Act, which comes into force next month, gives it the power to challenge any holding over 15 per cent in court—making its approval of a large holding vital.

Standard Chartered declined yesterday to comment on the matter.

The new shares were offered at 45p in late July when Norfolk's shares were trading at over 50p. Mr Peter Eyles, Norfolk's chief executive, said that the low take-up was explained by the fact that after the issue was launched, the market in general slumped, and Norfolk's shares in particular fell below the price of the new shares.

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U.S. \$150,000,000

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Postipankki

Prudential-Bache Capital Funding

Sumitomo Trust International Limited

Svenska Handelsbanken Group

Swiss Bank Corporation International Limited

S.G. Warburg Securities

Westdeutsche Landesbank Girozentrale

Yamaichi International (Europe) Limited

August, 1987

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered in the United States or to United States persons as part of the distribution.



Ford Credit Canada Limited

Can. \$100,000,000

10% Guaranteed Notes due June 3, 1992

Unconditionally Guaranteed as to Payment of Principal and Interest by

Ford Motor Credit Company

Goldman Sachs International Corp.

Deutsche Bank Capital Markets Limited

Dominion Securities Inc.

Wood Gundy Inc.

Bank of Montreal Capital Markets Limited

The Bank of Nova Scotia Group

Banque Bruxelles Lambert S.A.

Banque Indosuez

Banque Internationale à Luxembourg S.A.

Banque Nationale de Paris

Citicorp Investment Bank Limited

Commerzbank Aktiengesellschaft

Crédit du Nord

Daiwa Europe Limited

EBC Amro Bank Limited

Generale Bank

IBJ International Limited

Kredietbank International Group

McLeod Young Weir International Limited

Merrill Lynch Capital Markets

The Nikko Securities Co., (Europe) Ltd.

Nomura International Limited

Prudential-Bache Capital Funding

Salomon Brothers International Limited

Société Générale

Sumitomo Finance International

Swiss Bank Corporation International Limited

Toronto Dominion International Limited

Union Bank of Switzerland (Securities) Limited

Vereine- und Westbank Aktiengesellschaft

Westdeutsche Landesbank Girozentrale

Yamaichi International (Europe) Limited

June, 1987

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered in the United States or to United States persons as part of the distribution.



ASLK – CGER Finance N.V.

A\$50,000,000

14 1/4% Guaranteed Capital Notes due August 6, 1990

Unconditionally and Irrevocably guaranteed on a subordinated basis by

Algemene Spaar – en Lijfrentekas/ Caisse Générale d'Epargne et de Retraite

Goldman Sachs International Corp.

Algemene Bank Nederland N.V.

ASLK-CGER Bank

Kredietbank International Group

Prudential-Bache Capital Funding

Banca Manusardi & C.

Banque Bruxelles Lambert S.A.

Banque Internationale à Luxembourg S.A.

Banque UCL SA

Caisse d'Epargne de L'Etat

CERA Spaarkbank

Die Erste österreichische Spar-Casse-Bank

IBJ International Limited

Nederlandse Middenstandsbank nv

Sumitomo Trust International Limited

ITT FINANCIAL CORPORATION

A\$75,000,000

14% Australian Dollar Senior Notes due August 21, 1990

Goldman Sachs International Corp.

EBC Amro Bank Limited

Kleinwort Benson Limited

Kredietbank International Group

Orion Royal Bank Limited

Prudential-Bache Capital Funding

Algemene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Commerzbank Aktiengesellschaft

Daiwa Europe Limited

Dresdner Bank Aktiengesellschaft

Fay, Richwhite & Co. Ltd.

Genossenschaftliche Zentralbank AG
Vienna

IBJ International Limited

LTCB International Limited

Morgan Guaranty Ltd

Morgan Stanley International

August, 1987

WORLD MARKETS

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co.
Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 11 1987				THURSDAY SEPTEMBER 16 1987				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year Ago (approx)
Australia (93) ...	170.09	+1.3	122.79	155.19	2.41	167.98	151.39	153.70	173.25	99.32	79.39
Austria (143) ...	129.61	+0.5	98.25	119.55	2.34	97.75	89.00	91.70	101.62	85.33	93.31
Belgium (143) ...	129.61	+3.0	116.42	119.86	2.33	125.78	113.36	116.94	134.89	96.19	88.72
Canada (129) ...	135.69	+0.7	121.89	129.50	2.30	134.69	121.39	128.83	141.78	100.00	97.94
Denmark (39) ...	118.43	+0.3	106.38	120.06	2.53	118.07	106.42	112.46	118.99	121.82	99.39
France (121) ...	115.42	+0.4	103.68	109.08	2.37	115.22	104.99	104.93	114.93	93.06	93.06
West Germany (192) ...	102.41	-0.1	92.25	92.25	1.97	102.22	92.13	94.00	104.93	84.00	84.00
Hong Kong (45) ...	135.41	+1.5	116.54	146.68	2.46	144.32	130.07	144.50	147.36	96.89	78.70
Italy (76) ...	142.87	+1.0	128.33	135.47	3.29	141.49	127.52	135.08	145.49	99.50	84.41
Japan (458) ...	86.95	-0.1	78.11	84.68	2.15	87.04	85.05	85.05	86.22	97.15	97.15
Malaysia (36) ...	143.14	-0.1	128.57	129.20	0.53	143.28	129.14	129.14	130.00	97.28	97.28
Mexico (14) ...	173.52	+0.5	161.28	173.73	1.54	173.52	161.28	161.28	173.52	97.44	97.44
Mexico (14) ...	206.91	-3.7	167.03	177.03	0.44	222.59	280.87	101.38	222.59	99.72	98.44
New Zealand (24) ...	132.73	+0.3	112.85	117.06	3.82	126.37	113.89	113.89	121.41	99.65	96.77
New Zealand (24) ...	132.15	+2.0	118.71	122.77	2.82	129.62	116.82	116.82	132.71	83.93	72.69
Norway (24) ...	178.89	+0.2	160.64	160.26	1.71	178.53	160.90	160.90	175.04	100.00	106.42
Singapore (27) ...	173.02	-0.8	155.41	166.44	1.47	171.29	154.84	154.84	166.44	97.35	97.35
South Africa (61) ...	186.84	+1.2	167.83	186.84	1.10	186.84	172.51	172.51	186.84	100.00	95.59
Spain (43) ...	148.24	+1.7	138.44	148.24	2.68	148.60	140.94	140.94	152.19	99.48	94.08
Sweden (33) ...	108.65	+0.9	118.46	120.03	1.86	130.91	117.98	123.35	130.10	90.85	95.48
Switzerland (53) ...	153.08	+0.4	97.59	100.33	1.65	108.18	97.50	100.27	110.40	92.01	92.09
United Kingdom (333) ...	131.81	+0.7	137.51	137.51	3.25	152.07	137.05	137.05	162.87	99.65	95.84
USA (588) ...	121.49	+1.5	118.11	131.44	2.88	129.52	116.74	129.52	137.42	100.00	96.02
The World Index (2404) ...	195.46	+0.7	121.67	128.03	2.00	134.49	121.21	127.15	139.73	100.00	95.80

Base values Dec 31, 1986 = 100
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CONSTITUENT CHANGES: Burlington Inds. has been deleted, USI, Turner & Newall, has changed name to T & L UK.

EUROPEAN OPTIONS EXCHANGE

Serves	Nov 87		Feb 88		May 88		Stock	
	Vol.	Last	Vol.	Last	Vol.	Last		
GOLD	277	19.90	40	21.30	60	7.50A	—	—
GOLD	5460	10	11	40	21.30	—	—	3459.90
GOLD	5460	32	2.70	—	26	4	5.50	—
GOLD	5460	34	5.80	7.00	75	7.00B	11	—
SFT C	116	—	—	—	—	—	—	F120.15
SFT C	140	2.50	60	2.50	40	2.50A	—	—
SFT C	140	2.50	60	2.50	40	2.50B	—	—
SFT C	140	2.50	60	2.50	40	2.50C	—	—
SFT C	140	2.50	60	2.50	40	2.50D	—	—
SFT C	140	2.50	60	2.50	40	2.50E	—	—
SFT C	140	2.50	60	2.50	40	2.50F	—	—
SFT C	140	2.50	60	2.50	40	2.50G	—	—
SFT C	140	2.50	60	2.50	40	2.50H	—	—
SFT C	140	2.50	60	2.50	40	2.50I	—	—
SFT C	140	2.50	60	2.50	40	2.50J	—	—
SFT C	140	2.50	60	2.50	40	2.50K	—	—
SFT C	140	2.50	60	2.50	40	2.50L	—	—
SFT C	140	2.50	60	2.50	40	2.50M	—	—
SFT C	140	2.50	60	2.50	40	2.50N	—	—
SFT C	140	2.50	60	2.50	40	2.50O	—	—
SFT C	140	2.50	60	2.50	40	2.50P	—	—
SFT C	140	2.50	60	2.50	40	2.50Q	—	—
SFT C	140	2.50	60	2.50	40	2.50R	—	—
SFT C	140	2.50	60	2.50	40	2.50S	—	—
SFT C	140	2.50	60	2.50	40	2.50T	—	—
SFT C	140	2.50	60	2.50	40	2.50U	—	—
SFT C	140	2.50	60	2.50	40	2.50V	—	—
SFT C	140	2.50	60	2.50	40	2.50W	—	—
SFT C	140	2.50	60	2.50	40	2.50X	—	—
SFT C	140	2.50	60	2.50	40	2.50Y	—	—
SFT C	140	2.50	60	2.50	40	2.50Z	—	—
SFT C	140	2.50	60	2.50	40	2.50AA	—	—
SFT C	140	2.50	60	2.50	40	2.50AB	—	—
SFT C	140	2.50	60	2.50	40	2.50AC	—	—
SFT C	140	2.50	60	2.50	40	2.50AD	—	—
SFT C	140	2.50	60	2.50	40	2.50AE	—	—
SFT C	140	2.50	60	2.50	40	2.50AF	—	—
SFT C	140	2.50	60	2.50	40	2.50AG	—	—
SFT C	140	2.50	60	2.50	40	2.50AH	—	—
SFT C	140	2.50	60	2.50	40	2.50AI	—	—
SFT C	140	2.50	60	2.50	40	2.50AJ	—	—
SFT C	140	2.50	60	2.50	40	2.50AK	—	—
SFT C	140	2.50	60	2.50	40	2.50AL		

UNIT TRUST INFORMATION SERVICE

- continued on next page

UNIT TRUST INFORMATION SERVICE

26

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS								BRITISH FUNDS—Contd								FOREIGN BONDS & RAILS								
Interest Due	Stock	Price £	Last £	Yield %	Interest Due	Stock	Price £	Last £	Yield %	Interest Due	Stock	Price £	Last £	Div %	Red.	Gross Yield								
“Shorts” (Lives up to Five Years)					3 May 31st June 12th July 1987	1000-27.3	11.98	10.06		Index-Linked														
3 May 31st June 12th July 1987		991-19.6	7.80	—	26 Jul 26th Sept 1985-92	1000-27.3	11.98	10.06		(B)	(1)	(2)												
10 Nov 10th Aug Each 1 Dec 1987		1000-34	10.49	10.31	30 Sep 30th Mar 1988	1000-27.11	1204-425.2	—	202	1 Apr 10th June 22nd July 1988	1000-34	11.14	10.06											
14 Dec 7th Aug Each 9th Oct 1987		991-25.5	9.79	10.29	25 Jul 25th Aug 10th Dec 1987	1000-27.11	1184-186.6	0.98	31.13	15 Feb 15th Aug Each 10th Dec 1988	1000-27.11	1204-425.2	—											
Lion Fund		1000-25.5	3.10	7.12	25 Sep 25th Sept 1988	1000-27.11	1204-425.2	—		15 Mar 15th Aug Each 10th Dec 1989	1000-27.11	1204-425.2	—											
Lion Fund		991-25.5	9.59	10.35	25 Apr 25th Oct 1989	1000-27.11	1204-425.2	—		15 May 15th Oct Each 10th Dec 1990	1000-27.11	1204-425.2	—											
22 Aug 22nd Sept 11th Dec 1989		1000-27.3	11.34	10.34	25 Sep 25th Sept 1990	1000-27.11	1204-425.2	—		15 Oct 15th Apr Each 10th Dec 1990	1000-27.11	1204-425.2	—											
15 Oct 15th Apr Each 10th Dec 1990		981-22.3	9.61	10.31	25 Nov 25th Nov 1990	1000-27.11	1204-425.2	—		15 Nov 15th May Each 10th Dec 1990	1000-27.11	1204-425.2	—											
15 Nov 15th May Each 10th Dec 1990		971-24.8	3.22	7.41	25 Dec 25th Dec 1990	1000-27.11	1204-425.2	—		15 Dec 15th Jun Each 10th Dec 1990	1000-27.11	1204-425.2	—											
14 Dec 14th Jun Each 10th Dec 1990		1000-28.8	10.49	10.38	25 Jan 25th Jan 1991	1000-27.11	1204-425.2	—		15 Jan 15th Jul Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Jan 15th Jul Each 10th Dec 1991		991-25.5	5.37	8.66	25 Feb 25th Feb 1991	1000-27.11	1204-425.2	—		15 Feb 15th Mar Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Feb 15th Mar Each 10th Dec 1991		1000-25.5	12.36	10.15	25 Mar 25th Mar 1991	1000-27.11	1204-425.2	—		15 Mar 15th Apr Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Mar 15th Apr Each 10th Dec 1991		1000-25.5	16.17	10.41	25 Apr 25th Apr 1991	1000-27.11	1204-425.2	—		15 Apr 15th May Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Apr 15th May Each 10th Dec 1991		991-25.5	11.97	10.47	25 May 25th May 1991	1000-27.11	1204-425.2	—		15 May 15th Jun Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 May 15th Jun Each 10th Dec 1991		981-25.5	3.39	7.85	25 Jun 25th Jun 1991	1000-27.11	1204-425.2	—		15 Jun 15th Jul Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Jun 15th Jul Each 10th Dec 1991		971-25.5	8.64	10.14	25 Jul 25th Jul 1991	1000-27.11	1204-425.2	—		15 Jul 15th Aug Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Jul 15th Aug Each 10th Dec 1991		961-25.5	10.14	10.50	25 Aug 25th Aug 1991	1000-27.11	1204-425.2	—		15 Aug 15th Sep Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Aug 15th Sep Each 10th Dec 1991		951-25.5	2.91	7.52	25 Sep 25th Sep 1991	1000-27.11	1204-425.2	—		15 Sep 15th Oct Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Sep 15th Oct Each 10th Dec 1991		941-25.5	11.35	10.41	25 Oct 25th Oct 1991	1000-27.11	1204-425.2	—		15 Oct 15th Nov Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Oct 15th Nov Each 10th Dec 1991		931-25.5	16.17	10.46	25 Nov 25th Nov 1991	1000-27.11	1204-425.2	—		15 Nov 15th Dec Each 10th Dec 1991	1000-27.11	1204-425.2	—											
15 Nov 15th Dec Each 10th Dec 1991		921-25.5	3.39	7.85	25 Dec 25th Dec 1991	1000-27.11	1204-425.2	—		15 Dec 15th Jan Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Dec 15th Jan Each 10th Dec 1992		911-25.5	8.64	10.14	25 Jan 25th Jan 1992	1000-27.11	1204-425.2	—		15 Jan 15th Feb Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Jan 15th Feb Each 10th Dec 1992		901-25.5	10.22	10.50	25 Feb 25th Feb 1992	1000-27.11	1204-425.2	—		15 Feb 15th Mar Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Feb 15th Mar Each 10th Dec 1992		891-25.5	11.35	10.41	25 Mar 25th Mar 1992	1000-27.11	1204-425.2	—		15 Mar 15th Apr Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Mar 15th Apr Each 10th Dec 1992		881-25.5	16.17	10.46	25 Apr 25th Apr 1992	1000-27.11	1204-425.2	—		15 Apr 15th May Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Apr 15th May Each 10th Dec 1992		871-25.5	3.39	7.85	25 May 25th May 1992	1000-27.11	1204-425.2	—		15 May 15th Jun Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 May 15th Jun Each 10th Dec 1992		861-25.5	8.64	10.14	25 Jun 25th Jun 1992	1000-27.11	1204-425.2	—		15 Jun 15th Jul Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Jun 15th Jul Each 10th Dec 1992		851-25.5	10.22	10.50	25 Jul 25th Jul 1992	1000-27.11	1204-425.2	—		15 Jul 15th Aug Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Jul 15th Aug Each 10th Dec 1992		841-25.5	11.35	10.41	25 Aug 25th Aug 1992	1000-27.11	1204-425.2	—		15 Aug 15th Sep Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Aug 15th Sep Each 10th Dec 1992		831-25.5	16.17	10.46	25 Sep 25th Sep 1992	1000-27.11	1204-425.2	—		15 Sep 15th Oct Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Sep 15th Oct Each 10th Dec 1992		821-25.5	3.39	7.85	25 Oct 25th Oct 1992	1000-27.11	1204-425.2	—		15 Oct 15th Nov Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Oct 15th Nov Each 10th Dec 1992		811-25.5	8.64	10.14	25 Nov 25th Nov 1992	1000-27.11	1204-425.2	—		15 Nov 15th Dec Each 10th Dec 1992	1000-27.11	1204-425.2	—											
15 Nov 15th Dec Each 10th Dec 1992		801-25.5	10.22	10.50	25 Dec 25th Dec 1992	1000-27.11	1204-425.2	—		15 Dec 15th Jan Each 10th Dec 1993	1000-27.11	1204-425.2	—											
15 Dec 15th Jan Each 10th Dec 1993		791-25.5	11.35	10.41	25 Jan 25th Jan 1993	1000-27.11	1204-425.2	—		15 Jan 15th Feb Each 10th Dec 1993	1000-27.11	1204-425.2	—											
15 Jan 15th Feb Each 10th Dec 1993		781-25.5	16.17	10.46	25 Feb 25th Feb 1993	1000-27.11	1204-425.2	—		15 Feb 15th Mar Each 10th Dec 1993	1000-27.11	1204-425.2	—											
15 Feb 15th Mar Each 10th Dec 1993		771-25.5	3.39	7.85	25 Mar 25th Mar 1993	1000-27.11	1204-425.2	—		15 Mar 15th Apr Each 10th Dec 1993	1000-27.11	1204-425.2	—											
15 Mar 15th Apr Each 10th Dec 1993		761-25.5	8.64	10.14	25 Apr 25th Apr 1993	1000-27.11	1204-425.2	—		15 Apr 15th May Each 10th Dec 1993	1000-27.11	1204-425.2	—											
15 Apr 15th May Each 10th Dec 1993		751-25.5	10.22	10.50	25 May 25th May 1993	1000-27.11	1204-425.2	—		15 May 15th Jun Each 10th Dec 1993	1000-27.11	1204-425.2	—											

NOTICE TO HOLDERS OF

The Hyogo Sogo Bank, Ltd.
(Incorporated in Japan)
U.S. \$100,000,000
15% Convertible Bonds
Due 2002 (the "Bonds")

Pursuant to the provisions of Clause 5 (C) of the Terms and Conditions of the Bonds in respect of the above issue, notice is hereby given as follows:

1. On 9th September, 1987, the Board of Directors of the Bank resolved to make a free distribution of shares of its Common Stock to shareholders of record as of 30th September, 1987 (Tokyo Time), at the rate of 0.1 share per one share held.

2. Accordingly, the Conversion Price at which the Bonds may be converted into shares of Common Stock of the Bank will be adjusted with effect 1st October, 1987 (Tokyo Time). The Conversion Price in effect before such adjustment is 1,228 Japanese Yen per share of Common Stock and the adjusted Conversion Price will be 1,117.30 Japanese Yen per share of Common Stock.

The Hyogo Sogo Bank, Ltd.
The Sumitomo Bank, Limited,
as Principal Paying, Conversion
and Replacement Agent

14th September, 1987

NOTICE OF PREPAYMENT

THE MITSUBISHI BANK
LIMITED

(Incorporated in Japan)

US\$20,000,000
Callable Negotiable Floating Rate
Dollar Certificates of Deposit

No. FRCHEM3 00001 to 00020

Issued on 10th November, 1983

Maturity Date 14th November, 1988

Optional Callable on 13th November, 1987

Notice is hereby given that in accordance with the Clause of the Certificates of Deposit (the "Certificates") The Mitsubishi Bank, Limited ("the Bank") will prepay all outstanding Certificates on 13th November 1987 (the "Prepayment Date") at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of the Bank.

Interest will cease to accrue on the Certificates on the Prepayment Date.

THE MITSUBISHI BANK LIMITED
London Branch
1 King Street, London EC2V 8LQ

Date: 9 October 1987

BUSINESS LAW BRIEF
edited by
Dr. A. H. Hermann

Published monthly by FT Business Information. Business Law Brief provides concise information on international business law in a critical and easy to read style.

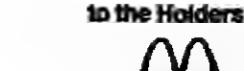
For your FREE SAMPLE ring
Amanda Collins today on:
01-240 8881

World-renowned
Qimen Black Tea

Qimen black tea is a product of Qimen County, Anhui Province, reputed to be the cream of China's traditional "Kungfu" black tea. It enjoys a high reputation in the world market and is known as "the heart of tea". In 1915, it was awarded the Gold Medal in Panama International Fair. In 1985, it again won the National Gold Medal for its excellent quality.

Qimen black tea is characterized by its fine texture, brownish dark colour, mellow flavour, brisk liquor and, especially, its lasting aroma - the "Qimen aroma". When drunk with milk and sugar, its unique flavour can be brought out to the full.


China National Native Produce & Animal By-products Co. Corp., Anhui Tea Branch Imp./Exp. Building, Jinzhai Road, Hefei, China.
Cable: "AHUNTEA" Hefei
Telex: 9030 ATEAB CN Tel: 76874

NOTICE OF REDEMPTION
to the Holders of

McDonald's Corporation

U.S. \$75,000,000

Three Year Extendible Notes due October 15, 1996

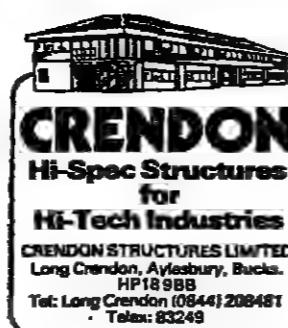
NOTICE IS HEREBY GIVEN by McDonald's Corporation (the "Company") that pursuant to Paragraph 9 of the Company's Three Year Extendible Notes due October 15, 1996 (the "Notes") and in accordance with Section 5(c) of the Fiscal Agency Agreement dated as of October 15, 1984 between the Company and the Royal Bank of Canada, as Fiscal Agent, the Company has elected to redeem all of its outstanding Notes due October 15, 1987, (the "Redemption Date") as the redemption price of 100% of their principal amount (the "Redemption Price"). Coupons maturing on October 15, 1987 and prior thereto should be detached and surrendered for payment in the usual manner.

On October 15, 1987, the Redemption Price will become due and payable upon all Notes, and interest on the Notes shall cease to accrue on and after that date.

All Notes, together with all interest coupons appertaining thereto maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price at the specified offices of any one of (a) Bankers Trust Company in London, (b) Amsterdam-Rotterdam Bank N.V. in Amsterdam, (c) Bankers Trust Frankfurt Main in Frankfurt, (d) Bankers Trust Company in Paris, (e) Societe Generale de Banque SA/Generale Banknachfolge NV in Brussels, (f) Banque Centrale du Luxembourg S.A. in Luxembourg, and (g) Banque Centrale du Luxembourg (Suisse) SA in Zurich.

Bankers Trust
Company, London
September 14, 1987

Agent Bank



Wide spread of work in the West Country

The West Country division of Mowlem Regional Construction, E. THOMAS CONSTRUCTION, has won contracts totalling more than £8m. They include a £1.6m order for a printing works and office block at Langage industrial estate, Plympton, for Chase Web Offset. Work includes access roads and landscaping for completion in February 1988. Thomas is undertaking the complete refurbishment of National Westminster's Newton Abbot branch, together with the construction of a part single-storey and part two-storey extension at the rear. The contract, valued at £320,000, is due for completion in December 1988.

At Folkestone, the company has been awarded a £526,000 contract for an extension to the factory and offices of Spectra Automotive and Engineering Products on Treleggan industrial estate. Completion is due in spring 1988.

Three contracts have been awarded by the South West Regional Health Authority. Two are at Derriford, District General Hospital. The largest is a £780,000 contract for additional temporary operating theatres at roof level, for completion in 48 weeks. The other, at £634,000, is for alterations to the accident and emergency department, for completion in April 1988. The civil engineering department has won a £630,000 contract for preliminary works in connection with the replacement of the main Winstord Hospital, Exeter. Work is to be completed by January 1988.

In Falmouth, the Baptist Housing Association has awarded the company a £650,000 contract to build a part three- and part four-storey block to provide 23 units of sheltered accommodation, with a warden's flat and communal areas. Completion date is in November 1988.

Various smaller jobs in the West Country complete the total.

WALTER LAWRENCE PROJECT MANAGEMENT has been awarded a firm contract by Metropolitan Real Estate and Land Investments and Development Co to design and construct 16 light industrial buildings arranged in four blocks at Mark Road, Hemel Hempstead, Hertfordshire.

Work has started with completion scheduled for March 1989.

In Folkestone, work has started on a £1.2m warehouse for Portex, a supplier of medical plastics and part of Smiths Industries. The building will

Tarmac wins £40m order to build shopping complex

TARMAC CONSTRUCTION is to build the next phase in the £250m Merry Hill development at Dudley in the Black Country. Overall, £50m worth of contracts has been awarded by the Richardson Group, Oldbury. It constitutes part of the largest development in the West Midlands since the Birmingham National Exhibition Centre was built in 1975.

The Merry Hill shopping centre comprises 500,000 sq ft of trading area in the Dudley enterprise zone. Tarmac will construct an additional 1.2m sq ft two-storey retail shopping scheme, together with further car parks and roads.

Stores will be constructed for

Debenhams and similar multiple retailers, and the development will include 105 smaller shops.

The building will be of steel-frame construction with reinforced concrete floors and lightweight roofing. External walls will have brickwork to dado height, with mirror glass and marble panels above. It will incorporate central themed halls.

Panoramic lifts, escalators and stairs will provide access to both levels. The building will be provided at both levels, simplifying access for the disabled. The contract includes provision of systems for heating, electrical supply, sprinklers, and smoke and fire detection.

The project, scheduled for

completion in September 1989, is the latest awarded to Tarmac at Merry Hill, bringing the total value won there to £50m.

It is part of the Richardson development in the Dudley enterprise zone combining 300 acres of industrial, retail and leisure schemes with proposals for a monorail system aimed at the tourist trade, and interlinking the current proposed £50m West Midlands light rail rapid transit system.

The contract, which will provide some 300 jobs during construction, will use about 3,500 tonnes of steel, 27,000 cu metres of concrete, and includes removal of 200,000 cu metres of soil.

Factory units at Salford University

TURRIFF CONSTRUCTION has been awarded 14 contracts worth over £8m. For English Estates the company is to build 31 advanced factory units in five blocks at Salford University Business Park. Costing £1.6m the blocks will have a structural steel frame, with external walls partly of brick/block and partly of certain walling in aluminium and glass.

Rochdale Metropolitan Borough Council has awarded a contract worth £750,000 for 24 houses comprising 24 flats, six bungalows and a warden's house.

Mitutoyo, said to be the world's largest manufacturer of precision measuring instruments, is the first Japanese company to be located in Warwickshire. The new complex, project managed by Stimulus Europe, is a design and build contract by Turriiff projects division. It will be Mitutoyo's largest showroom in the UK, and will include training and conference facilities. At Jansons Court, the social club at Radford, Coventry, is being refurbished in three phases including a revised entrance area, new heating, ventilation and electrical installation together with new furnishings to public areas and general redecoration.

Dunstable civic offices

WILTSHIRE DMC, design, management and construction division of the John E. Wiltshire Group, has won two contracts.

In Dunstable, Bedfordshire, the company is to provide South Bedfordshire District Council with a civic office complex on the site of the old railway station. The £4.4m contract involves a control room, a standard chamber and ancillary offices.

The three-storey building will be on piled foundations, with a brick exterior and tiled roof. A reinforced concrete frame is being used, with post-tensioned slabs providing level floors and easing service design and installation.

The contract covers all acoustic treatment, the relocation of two existing generators and the installation of a new generator, together with ventilation and exhaust systems, electrical equipment and controls.

This contract covers preliminary works for a proposed eight-storey office block.

Work has started with completion scheduled for March 1989.

In Folkestone, work has started on a £1.2m warehouse for Portex, a supplier of medical plastics and part of Smiths Industries. The building will

provide 4,300 sq metres space, and includes offices, a loading bay and parking area. There will be mechanical ventilation to provide a dust-free environment. The warehouse will have a steel portal frame, clad in brick and profiled steel.

SIR ROBERT MCALPINE & SONS has been awarded a £1.2m contract to construct a reinforced concrete bus garage at Cater's Gardens, Cock Hill, in the City of London for the Standard Life Assurance Co. Extra space will be provided to a depth of 8 metres to accommodate the garage, which will be 16 x 10 metres. The contract covers all acoustic treatment, the relocation of two existing generators and the installation of a new generator, together with ventilation and exhaust systems, electrical equipment and controls.

The second contract is for a control building annexe, plant substation, ammonia plant substation and main workshop, together with an electricity substation and transformer pens. Being erected on a new BP site alongside the existing plant, the buildings are scheduled for hand-over towards the end of the year.

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WORLD STOCK MARKETS

AUSTRIA

	Sep. 11	Price Fr.	High Low	Sep. 11	Price Fr.	High Low	Sep. 11	Price Fr.	High Low
2410 1890 Creditanstalt	2100.00	2100.00	2092 250 Allianz	342.00	342.00	341.00	410 1890 Montancredit	73.00	73.00
2420 2460 Gossner	320.00	320.00	2093 250 Allianz Vers.	342.00	342.00	341.00	411 1890 Montanair	246.00	246.00
13200 16000 Interaustrian	1242.00	1242.00	2094 250 Austria Staats-	323.00	323.00	322.00	412 1890 Montanair	246.00	246.00
2160 1740 Landesbank	1935.00	1935.00	2095 250 Austria Supra-	324.00	324.00	323.00	413 1890 Montanair	246.00	246.00
167 565 Peinforder	715.00	715.00	2096 250 Austria Supra-	325.00	325.00	324.00	414 1890 Montanair	246.00	246.00
1113 670 Steier-Danner	121.00	121.00	2097 250 BHF-Bank	472.00	472.00	472.00	415 1890 Montanair	246.00	246.00
269 243 Wiener Werk-	564.00	564.00	2098 250 Brunn-Benz	564.00	564.00	564.00	416 1890 Montanair	246.00	246.00
314 249 Creditanstalt	345.00	345.00	2099 250 Creditanstalt	345.00	345.00	345.00	417 1890 Montanair	246.00	246.00
1897 1987 Creditanstalt	1220.00	1220.00	2100 250 Creditanstalt	345.00	345.00	345.00	418 1890 Montanair	246.00	246.00
3465 2900 B.R.L.	325.00	325.00	2101 250 Deutsche Bank	521.00	521.00	521.00	419 1890 Montanair	246.00	246.00
16020 14650 Banca Gen. It.	1245.00	1245.00	2102 250 Deutsche Bank	523.00	523.00	523.00	420 1890 Montanair	246.00	246.00
13200 14000 Banca Int. A	1245.00	1245.00	2103 250 Deutsche Bank	525.00	525.00	525.00	421 1890 Montanair	246.00	246.00
13217 14000 Banca Int. A	1245.00	1245.00	2104 250 Deutsche Bank	525.00	525.00	525.00	422 1890 Montanair	246.00	246.00
6500 3900 Ciment CBR	615.00	615.00	2105 250 Deutsche Bank	525.00	525.00	525.00	423 1890 Montanair	246.00	246.00
1866 130 Cockrell	177.00	177.00	2106 250 Deutsche Bank	525.00	525.00	525.00	424 1890 Montanair	246.00	246.00
4705 2700 Holzmann	525.00	525.00	2107 250 Deutsche Bank	525.00	525.00	525.00	425 1890 Montanair	246.00	246.00
5500 4825 EBES	480.00	480.00	2108 250 Deutsche Bank	525.00	525.00	525.00	426 1890 Montanair	246.00	246.00
2700 2500 GEI	480.00	480.00	2109 250 Deutsche Bank	525.00	525.00	525.00	427 1890 Montanair	246.00	246.00
16070 15200 GEI	480.00	480.00	2110 250 Deutsche Bank	525.00	525.00	525.00	428 1890 Montanair	246.00	246.00
13250 10375 GEI	480.00	480.00	2111 250 Deutsche Bank	525.00	525.00	525.00	429 1890 Montanair	246.00	246.00
10000 2430 GEI	480.00	480.00	2112 250 Deutsche Bank	525.00	525.00	525.00	430 1890 Montanair	246.00	246.00
9100 10000 GEI	480.00	480.00	2113 250 Deutsche Bank	525.00	525.00	525.00	431 1890 Montanair	246.00	246.00
4910 3765 GEI	392.00	392.00	2114 250 Deutsche Bank	525.00	525.00	525.00	432 1890 Montanair	246.00	246.00
4900 4040 GEI	451.00	451.00	2115 250 Deutsche Bank	525.00	525.00	525.00	433 1890 Montanair	246.00	246.00
14175 2210 GEI	451.00	451.00	2116 250 Deutsche Bank	525.00	525.00	525.00	434 1890 Montanair	246.00	246.00
1570 1520 Holzmann	1805.00	1805.00	2117 250 Deutsche Bank	525.00	525.00	525.00	435 1890 Montanair	246.00	246.00
8070 8070 Holzmann	607.00	607.00	2118 250 Deutsche Bank	525.00	525.00	525.00	436 1890 Montanair	246.00	246.00
16250 10350 Holzmann	607.00	607.00	2119 250 Deutsche Bank	525.00	525.00	525.00	437 1890 Montanair	246.00	246.00
10000 2430 Holzmann	607.00	607.00	2120 250 Deutsche Bank	525.00	525.00	525.00	438 1890 Montanair	246.00	246.00
9100 10000 Holzmann	607.00	607.00	2121 250 Deutsche Bank	525.00	525.00	525.00	439 1890 Montanair	246.00	246.00
4910 3765 Holzmann	392.00	392.00	2122 250 Deutsche Bank	525.00	525.00	525.00	440 1890 Montanair	246.00	246.00
4900 4040 Holzmann	451.00	451.00	2123 250 Deutsche Bank	525.00	525.00	525.00	441 1890 Montanair	246.00	246.00
14175 2210 Holzmann	451.00	451.00	2124 250 Deutsche Bank	525.00	525.00	525.00	442 1890 Montanair	246.00	246.00
1570 1520 Holzmann	1805.00	1805.00	2125 250 Deutsche Bank	525.00	525.00	525.00	443 1890 Montanair	246.00	246.00
8070 8070 Holzmann	607.00	607.00	2126 250 Deutsche Bank	525.00	525.00	525.00	444 1890 Montanair	246.00	246.00
16250 10350 Holzmann	607.00	607.00	2127 250 Deutsche Bank	525.00	525.00	525.00	445 1890 Montanair	246.00	246.00
10000 2430 Holzmann	607.00	607.00	2128 250 Deutsche Bank	525.00	525.00	525.00	446 1890 Montanair	246.00	246.00
9100 10000 Holzmann	607.00	607.00	2129 250 Deutsche Bank	525.00	525.00	525.00	447 1890 Montanair	246.00	246.00
4910 3765 Holzmann	392.00	392.00	2130 250 Deutsche Bank	525.00	525.00	525.00	448 1890 Montanair	246.00	246.00
4900 4040 Holzmann	451.00	451.00	2131 250 Deutsche Bank	525.00	525.00	525.00	449 1890 Montanair	246.00	246.00
14175 2210 Holzmann	451.00	451.00	2132 250 Deutsche Bank	525.00	525.00	525.00	450 1890 Montanair	246.00	246.00
1570 1520 Holzmann	1805.00	1805.00	2133 250 Deutsche Bank	525.00	525.00	525.00	451 1890 Montanair	246.00	246.00
8070 8070 Holzmann	607.00	607.00	2134 250 Deutsche Bank	525.00	525.00	525.00	452 1890 Montanair	246.00	246.00
16250 10350 Holzmann	607.00	607.00	2135 250 Deutsche Bank	525.00	525.00	525.00	453 1890 Montanair	246.00	246.00
10000 2430 Holzmann	607.00	607.00	2136 250 Deutsche Bank	525.00	525.00	525.00	454 1890 Montanair	246.00	246.00
9100 10000 Holzmann	607.00	607.00	2137 250 Deutsche Bank	525.00	525.00	525.00	455 1890 Montanair	246.00	246.00
4910 3765 Holzmann	392.00	392.00	2138 250 Deutsche Bank	525.00	525.00	525.00	456 1890 Montanair	246.00	246.00
4900 4040 Holzmann	451.00	451.00	2139 250 Deutsche Bank	525.00	525.00	525.00	457 1890 Montanair	246.00	246.00
14175 2210 Holzmann	451.00	451.00	2140 250 Deutsche Bank	525.00	525.00	525.00	458 1890 Montanair	246.00	246.00
1570 1520 Holzmann	1805.00	1805.00	2141 250 Deutsche Bank	525.00	525.00	525.00	459 1890 Montanair	246.00	246.00
8070 8070 Holzmann	607.00	607.00	2142 250 Deutsche Bank	525.00	525.00	525.00	460 1890 Montanair	246.00	246.00
16250 10350 Holzmann	607.00	607.00	2143 250 Deutsche Bank	525.00	525.00	525.00	461 1890 Montanair	246.00	246.00
10000 2430 Holzmann	607.00	607.00	2144 250 Deutsche Bank	525.00	525.00	525.00	462 1890 Montanair	246.00	246.00
9100 10000 Holzmann	607.00	607.00	2145 250 Deutsche Bank	525.00	525.00	525.00	463 1890 Montanair	246.00	246.00
4910 3765 Holzmann	392.00	392.00	2146 250 Deutsche Bank	525.00	525.00	525.00	464 1890 Montanair	246.00	246.00
4900 4040 Holzmann	451.00	451.00	2147 250 Deutsche Bank	525.00	525.00	525.00			

Closing prices, September 1.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Wk. Vol.	P/ E	52 Wk. High	Low	Div/Prc.	12 Month High	Low	Stock	Wk. Vol.	P/ E	52 Wk. High	Low	Div/Prc.
50	49	Prudential	54 12	159	75	76	+1+	50	49	Prudential	54 12	159	75	76	+1+
51	52	PRU	15 15	12	52	51	+1+	51	52	PRU	15 15	12	52	51	+1+
52	53	Provo	22	2	53	52	+1+	52	53	Provo	22	2	53	52	+1+
53	54	Pyne	22	2	54	53	+1+	53	54	Pyne	22	2	54	53	+1+
54	55	Pyne	22	2	55	54	+1+	54	55	Pyne	22	2	55	54	+1+
55	56	Pyne	22	2	56	55	+1+	55	56	Pyne	22	2	56	55	+1+
56	57	Pyne	22	2	57	56	+1+	56	57	Pyne	22	2	57	56	+1+
57	58	Pyne	22	2	58	57	+1+	57	58	Pyne	22	2	58	57	+1+
58	59	Pyne	22	2	59	58	+1+	58	59	Pyne	22	2	59	58	+1+
59	60	Pyne	22	2	60	59	+1+	59	60	Pyne	22	2	60	59	+1+
60	61	Pyne	22	2	61	60	+1+	60	61	Pyne	22	2	61	60	+1+
61	62	Pyne	22	2	62	61	+1+	61	62	Pyne	22	2	62	61	+1+
62	63	Pyne	22	2	63	62	+1+	62	63	Pyne	22	2	63	62	+1+
63	64	Pyne	22	2	64	63	+1+	63	64	Pyne	22	2	64	63	+1+
64	65	Pyne	22	2	65	64	+1+	64	65	Pyne	22	2	65	64	+1+
65	66	Pyne	22	2	66	65	+1+	65	66	Pyne	22	2	66	65	+1+
66	67	Pyne	22	2	67	66	+1+	66	67	Pyne	22	2	67	66	+1+
67	68	Pyne	22	2	68	67	+1+	67	68	Pyne	22	2	68	67	+1+
68	69	Pyne	22	2	69	68	+1+	68	69	Pyne	22	2	69	68	+1+
69	70	Pyne	22	2	70	69	+1+	69	70	Pyne	22	2	70	69	+1+
70	71	Pyne	22	2	71	70	+1+	70	71	Pyne	22	2	71	70	+1+
71	72	Pyne	22	2	72	71	+1+	71	72	Pyne	22	2	72	71	+1+
72	73	Pyne	22	2	73	72	+1+	72	73	Pyne	22	2	73	72	+1+
73	74	Pyne	22	2	74	73	+1+	73	74	Pyne	22	2	74	73	+1+
74	75	Pyne	22	2	75	74	+1+	74	75	Pyne	22	2	75	74	+1+
75	76	Pyne	22	2	76	75	+1+	75	76	Pyne	22	2	76	75	+1+
76	77	Pyne	22	2	77	76	+1+	76	77	Pyne	22	2	77	76	+1+
77	78	Pyne	22	2	78	77	+1+	77	78	Pyne	22	2	78	77	+1+
78	79	Pyne	22	2	79	78	+1+	78	79	Pyne	22	2	79	78	+1+
79	80	Pyne	22	2	80	79	+1+	79	80	Pyne	22	2	80	79	+1+
80	81	Pyne	22	2	81	80	+1+	80	81	Pyne	22	2	81	80	+1+
81	82	Pyne	22	2	82	81	+1+	81	82	Pyne	22	2	82	81	+1+
82	83	Pyne	22	2	83	82	+1+	82	83	Pyne	22	2	83	82	+1+
83	84	Pyne	22	2	84	83	+1+	83	84	Pyne	22	2	84	83	+1+
84	85	Pyne	22	2	85	84	+1+	84	85	Pyne	22	2	85	84	+1+
85	86	Pyne	22	2	86	85	+1+	85	86	Pyne	22	2	86	85	+1+
86	87	Pyne	22	2	87	86	+1+	86	87	Pyne	22	2	87	86	+1+
87	88	Pyne	22	2	88	87	+1+	87	88	Pyne	22	2	88	87	+1+
88	89	Pyne	22	2	89	88	+1+	88	89	Pyne	22	2	89	88	+1+
89	90	Pyne	22	2	90	89	+1+	89	90	Pyne	22	2	90	89	+1+
90	91	Pyne	22	2	91	90	+1+	90	91	Pyne	22	2	91	90	+1+
91	92	Pyne	22	2	92	91	+1+	91	92	Pyne	22	2	92	91	+1+
92	93	Pyne	22	2	93	92	+1+	92	93	Pyne	22	2	93	92	+1+
93	94	Pyne	22	2	94	93	+1+	93	94	Pyne	22	2	94	93	+1+
94	95	Pyne	22	2	95	94	+1+	94	95	Pyne	22	2	95	94	+1+
95	96	Pyne	22	2	96	95	+1+	95	96	Pyne	22	2	96	95	+1+
96	97	Pyne	22	2	97	96	+1+	96	97	Pyne	22	2	97	96	+1+
97	98	Pyne	22	2	98	97	+1+	97	98	Pyne	22	2	98	97	+1+
98	99	Pyne	22	2	99	98	+1+	98	99	Pyne	22	2	99	98	+1+
99	100	Pyne	22	2	100	99	+1+	99	100	Pyne	22	2	100	99	+1+
100	101	Pyne	22	2	101	100	+1+	100	101	Pyne	22	2	101	100	+1+
101	102	Pyne	22	2	102	101	+1+	101	102	Pyne	22	2	102	101	+1+
102	103	Pyne	22	2	103	102	+1+	102	103	Pyne	22	2	103	102	+1+
103	104	Pyne	22	2	104	103	+1+	103	104	Pyne	22	2	104	103	+1+
104	105	Pyne	22	2	105	104	+1+	104	105	Pyne	22	2	105	104	+1+
105	106	Pyne	22	2	106	105	+1+	105	106	Pyne	22	2	106	105	+1+
106	107	Pyne	22	2	107	106	+1+	106	107	Pyne	22	2	107	106	+1+
107	108	Pyne	22	2	108	107	+1+	107	108	Pyne	22	2	108	107	+1+
108	109	Pyne	22	2	109	108	+1+	108	109	Pyne	22	2	109	108	+1+
109	110	Pyne	22	2	110	109	+1+	109	110	Pyne	22	2	110	109	+1+
110	111	Pyne	22	2	111	110	+1+	110	111	Pyne	22	2	111	110	+1+
111	112	Pyne	22	2	112	111	+1+	111	112	Pyne	22	2	112	111	+1+
112	113	Pyne	22	2	113	112	+1+	112							

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Deciding whether the dollar deserves to be sold

By Colin Millham

BARCHELS BANK commented before last Friday's US trade figures that if the deficit was similar to the June deficit \$15.7bn the dollar deserved to be sold.

In the event the July deficit was a record \$16.47bn and the dollar was sold on a very large scale, and soon rebounded to finish above DM1.80. Dealers will continue to digest the trade situation this week.

James Miller, of the White House staff, said there is clear evidence the US trade deficit is improving, and urged Congress to carefully weigh the evidence before drafting protectionist trade legislation.

Congress returned from the summer recess last week in an aggressive mood about the trade position, but must now take

account of the declining Japanese trade surplus in August.

The surplus in August fell to \$5.15bn from \$6.25bn in July and from \$7.4bn the same time last year. Japan's surplus with the US was cut to \$3.73bn in August from \$4.79bn the previous month, and from \$4.1bn in August 1986.

After this Japanese figures the market may look for an improvement in the US trade balance. Mr Miller said he believed the US had turned the corner on its trade position. On the other hand, Morgan Grenfell in London suggests the figure could be as high as 2 per cent because of strong car sales.

The trend in US industrial production also published tomorrow, remains firmly upwards at around 0.3 per cent, compared with 0.8

per cent in July, according to most forecasts, with Nomura Research Institute in London looking for 0.2 per cent.

A rundown in stockpiling in the motor industry is expected to produce a modest rise of only 0.2 per cent in Wednesday's July business inventories against 0.4 per cent in June.

August housing starts, on Thursday, are forecast to remain steady at 1.5 million.

No significant change is

expected in the second revision of second quarter US gross national product growth on Friday. The rise is likely to remain at 2.3 per cent.

These forecasts suggest the US economy remains reasonably strong, while the main hope of an improvement in the August US trade deficit is the rather tenuous argument that the Japanese surplus is falling.

The threat of central bank

intervention and the possibility of a move by Group of Five ministers to bring stability to the foreign exchanges may limit the downward pressure on the dollar.

But if this month's gathering of ministers at the International Monetary Fund annual meeting fails to produce a general accord on dollar support, the choice may be between another downward adjustment of the dollar or a significant rise in US interest rates.

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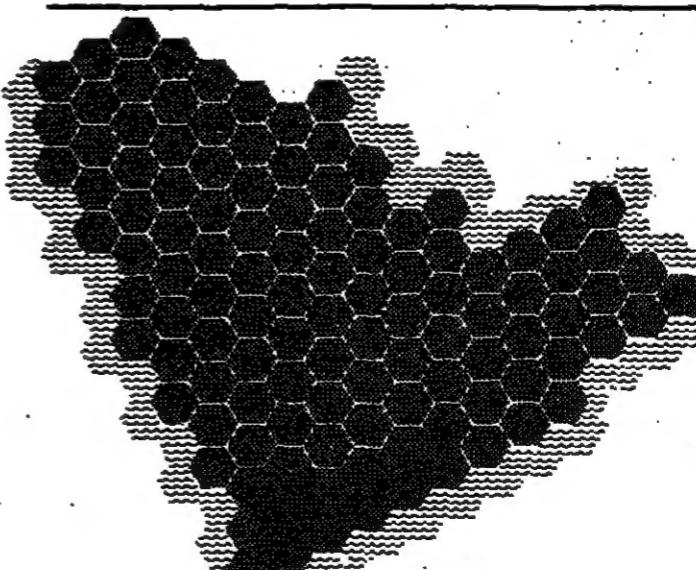
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STERLING INDEX

Sept. 11	Close	Sept. 12	Previous Close
8.50	73.0	72.9	72.9
1 month	73.1	72.9	72.9
3 months	73.1	72.9	72.9
12 months	73.2	73.0	72.9

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu	Central rate	Change against Ecu	% change	Change adjusted for interest rate	Difference in tenths
Belgian Franc	7,4582	43,0940	+1.50	+0.77	+1.50	-
British D-Mark	2,0583	2,0720	+2.07	+1.36	+1.404	-
French Franc	6,9303	6,9326	+0.23	+0.35	+0.35	-
Dutch Guildder	1,0212	1,0218	+0.06	+0.15	+0.15	-
Italian Lira	1,4838	1,4832	-0.06	-0.41	-0.45	-0.45

Changes are for Ecu. Therefore positive change denotes a weak currency.

Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Sept. 11	E	S	DM	Yen	F Fr.	S Fr.	H Ft.	Lt.	C S	B Fr.
E	1,451	2,973	225.8	9,945	2,458	3,340	210.2	217.6	61.65	61.65
S	0.406	0.855	1,520	6,024	1,304	1,318	1,020	1,020	31.31	31.31
DM	0.336	0.701	1	70.31	1.64	2.07	1.72	1.72	5.00	5.00
Yen	7,8122	15.75	1.00	1.00	2.00	2.00	1.00	1.00	1.00	1.00
F Fr.	1,000	1.660	237.3	216.4	3,358	4,216	2,188	2,188	61.99	61.99
S Fr.	0.407	0.672	1,210	4,047	1,000	1,000	700	700	20.00	20.00
H Ft.	0.299	0.496	0.290	0.276	0.57	0.68	0.59	0.59	1.72	1.72
Lt.	0.485	0.767	1.381	10.95	2.621	3.152	1.001	1.001	28.45	28.45
C S	0.460	0.759	1.366	10.84	2.571	3.105	0.992	0.992	28.34	28.34
B Fr.	1,622	2,677	4,822	16.13	3,988	3,989	3,981	3,981	100.00	100.00

Yen per 1,000; French Fr per 10; Lt per 1,000; Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Sept. 11	Short term	7 Days notice	One Month	One Year	Three Months	6 Months	12 Months
Sterling	9.74	9.85	9.91	10.10	10.20	10.30	10.40
U.S. Dollar	10.04	10.15	10.25	10.45	10.55	10.65	10.75
Canadian D-Mark	11.75	11.95	12.10	12.30	12.40	12.50	12.60
Belgian Franc	7.4	48.564	42.094	42.094	42.094	42.094	42.094
Dutch Guilder	9.0751	9.0751	9.0751	9.0751	9.0751	9.0751	9.0751
Swiss Franc	12.402	12.402	12.402	12.402	12.402	12.402	12.402
Irish Pound	12.402	12.402	12.402	12.402	12.402	12.402	12.402

Yen

Long-term Eurodollar: Two years 9.14% per cent; three years 9.79% per cent; four years 10.16% per cent; five years 10.7% per cent nominal. Short-term rates are cast for US dollar and Japanese Yen; others, two day rates.

POUND SPOT — FORWARD AGAINST THE POUND

Sept. 11	Days spread	Close	One month	p.a.	Three months	% p.a.
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